Local Government and Regeneration Committee

8th Report, 2014 (Session 4)

Flexibility and Autonomy in Local Government

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The level of legal flexibility, and autonomy from central government, which local government enjoys

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Local Government and Regeneration Committee

Remit and membership

Remit:
To consider and report on a) the financing and delivery of local government and local services, and b) planning, and c) matters relating to regeneration falling within the responsibility of the Cabinet Secretary for Infrastructure and Capital Investment.

Membership:
Cameron Buchanan
Mark McDonald
Stuart McMillan
Anne McTaggart
Alex Rowley
Kevin Stewart (Convener)
John Wilson (Deputy Convener)

Committee Clerking Team:

Clerk to the Committee
David Cullum

Senior Assistant Clerk
Claire Menzies-Smith

Assistant Clerk
Seán Wixted

Committee Assistant
Paul Nicholson
FOREWORD FROM THE CONVENER

Over the last three years, we have undertaken a co-ordinated programme of work aimed at adding value to the debate on how we can make local government in Scotland more effective, more accountable and more accessible to people and communities. This inquiry was the next logical step in this programme as well as having linkages to our forthcoming scrutiny of the Community Empowerment (Scotland) Bill. We undertook this inquiry following the publication of the Council of Europe report on local and regional democracy in the United Kingdom. While their report found that overall the United Kingdom was in compliance with our Charter obligations it did express some concerns. We were also aware of the COSLA initiative which resulted in the establishment of a Commission on Strengthening Local Democracy.

There are many demanding increased autonomy and flexibility, our key finding is that devolution must not start and finish at the national level it must encompass all strands of society and government. If communities are to be empowered it is clear this must be as a consequence of a passing of powers down through the tiers of government.

However we do not support suggestions to increase the number of local authorities nor to increase the number of councillors. Aside from arithmetic we were not made aware of any actual improvements in outcomes such a move would bring.

It is clear that local authorities have the ability to devolve functions along with responsibilities and budgets to a community level. Some of this is happening but it is patchy and generally does not include financial autonomy. It seems the main drawback is internal cultural restrictions. There is a lot of talk about subsidiarity in local government but not much happening in practice.

Similarly we consider local authorities should have greater freedoms. We have noted the campaign by the Islands, the work of the Island Areas Ministerial Working Group and also moves on powers for Cities. We would go further, it should be for each local authority to determine what powers to exercise, subject to the delivery of minimum standards across the country. Central controls exercised at all tiers of government should be exercised at the minimum necessary and commensurate with democratic accountability.

All main political parties in Scotland agree there needs to be a review of the funding of local government, our view is this needs to be done following the referendum and an independent commission with cross-party representation should be created in early course to make recommendations for the future.

Overall our message to local authorities is to demonstrate their commitment to subsidiarity by taking action to use existing powers to devolve down to the lowest possible level, cede controls, and empower your communities.

Kevin Stewart MSP
Convener
Local Government and Regeneration Committee

8th Report, 2014 (Session 4)

Flexibility and Autonomy in Local Government

The Committee reports to the Parliament as follows—

SUMMARY OF FINDINGS

Strand 1 - Contrasting the position of local government with the constitutional and legal framework in neighbouring EU jurisdictions

[Paragraph 40] Our preliminary conclusion here is that beyond the narrow confines of academia and COSLA, people are less concerned about the ratios and numbers of councillors to wards and more interested in how functions are being exercised and the extent to which they are able to influence them.

[Paragraph 41] Equally we see no identifiable case for increasing the number of authorities, we are not convinced of the need for structural reform of this type. Later in this report we look at whether changes should be more concerned with appropriate powers in different areas matching local needs.

Strand 2 - The level of public engagement and interaction with local government, including turnout at local elections

[Paragraph 71] We believe, like the Carnegie UK Trust, the low level of public engagement in local politics is at least partly related to the nature of the relationship citizens and communities have with government. We consider adequate powers to devolve responsibilities currently exist which local authorities must begin to exercise. In the event it transpires there are a few limited areas in which local authorities may be lacking powers to devolve responsibility and control to communities such restrictions require to be identified and appropriate action, at whatever level, taken to resolve.

[Paragraph 72] We agree with the President of COSLA, who stated—

“Power should lie at the most appropriate level. Sometimes it is appropriate for it to be at community level; sometimes at local authority level; and sometimes at national level.”

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[Paragraph 73] Given the comments we received we expect local authorities to draw up schemes to have power exercised at the lowest appropriate level in all areas (localities or by groupings of interest) involving and including bodies/groups who are engaged, empowered and have controls. In so doing we anticipate they will wish to reflect the approach as part of their Single Outcome Agreement.

[Paragraph 74] We do not consider it important what the body or group exercising these powers and responsibilities is called, in some areas Community Councils will be working well and respected while in others it may be Residents Associations, Tenants Associations, Community Development Companies or Community Trusts. The type of body or group should be the one best suited to local circumstances.

[Paragraph 75] We are also clear there should be a requirement to directly, or through elected representatives, consult with all local or interest bodies prior to decisions being taken by the local authority which affect or impact an area. We have heard numerous comments about consultation being tokenistic or even after decisions have been made, and expect all authorities to do their utmost to make consultations both meaningful and timely.

[Paragraph 76] We further consider appropriate bodies/groups should have control over budgets for the delivery of specified local services. It is for wider discussion what those services should include, but for example grounds maintenance, play parks and local care services.

[Paragraph 77] We consider it should, in the first instance, be left to each local authority to determine how the above is achieved and with which groups/bodies with the clear aim that such groups or bodies are collectively fully representative of all strands of interests and groups in the community.

[Paragraph 78] We will return to this area next year and in the absence of significant progress will make recommendations to require these actions to be taken.

[Paragraph 79] In relation to local elections we are content to await the results of the Scottish Government consultation which picks up many of the issues we raised in our earlier report on the 2012 elections. As indicated in our report we will be closely monitoring progress on these matters.

**Strand 3 - The Legal and Constitutional Funding Mechanisms Available to Local Government**

[Paragraph 100] While political parties agree there is need for financial reform no one party has yet brought forward ideas as to how this should be undertaken or what a replacement for council tax should be. We make a clear recommendation this issue must be addressed at the earliest opportunity involving all political parties.

[Paragraph 101] Steps should be taken within the lifetime of this Parliament to initiate an agreed approach to facilitate meaningful debate on alternative approaches with the aim of having a new system identified in time for the next local government elections in 2017. We consider this to be the latest appropriate timetable which would enable candidates at that election to put forward their policies linked to revised funding mechanisms. Given the desirability of reaching consensus we consider this should be done by way of an independent cross-party commission which should
include representatives from local government and wider civic society across Scotland.

[Paragraph 102] Local authorities should have powers to raise sums locally. Indeed, they already do this to a considerable extent. We consider existing restrictions imposed centrally should be relaxed allowing local authorities to determine what is appropriate for local circumstances and what will further support local ambitions. We consider there should be a range of taxes or charges from which they should be free to choose to levy to meet local circumstances and needs.

[Paragraph 103] We recognise this power will lead to variations across the country which we see as a desirable adjunct of the exercise of democracy. It would then be for locally elected politicians to be held to account by their electorate.

[Paragraph 104] We draw to the attention of local authorities, activities in other jurisdictions which provide services and make profits to be reinvested locally. However we would not like to see this undertaken without clear business cases being established or at the expense of democratic accountability which is often seen as being the case of some ALEOS.

Strand 4 - How remote, peripheral or island communities are accommodated within the local government structures

[Paragraph 119] We support the principle of the island authorities receiving more powers, with less controls to enable them to implement bespoke, local policies for their areas.

[Paragraph 120] We see no difference in principle to prevent similar arrangements being provided for Argyll and Bute, Highland and North Ayrshire councils in relation to the islands within their areas.

[Paragraph 121] We support the principle of joint working between the island authorities.

[Paragraph 122] We urge further examination of the concept of City Deals.

[Paragraph 123] In the next strand we look further at local authority powers more generally as they apply across all local authorities.

Strand 5 - The level of legal flexibility, and autonomy from central government, which local government enjoys

[Paragraph 139] Control or the perception of control by the centre, whether at local or central government needs to be addressed. Unless authorities and communities perceive they have the freedom to make decisions without control being exercised at a higher level there will always be a resistance to innovation, taking risks and delivering localised services to meet differing needs.

[Paragraph 140] Looking ahead we support the vision of local authorities as enablers as well as providers of services. We are clear local authorities should seek to use their powers better and that greater flexibility is required across local authorities in the policies and practices that are adopted across the country.
[Paragraph 141] We would expect to see structures put in place that suit those communities who wish to avail themselves of local control; this might require different structures throughout the country/authority as is appropriate to meet local needs. If there are legislative, audit or other internally imposed barriers in place which prevent a differentiation of services to meet local needs across a region or across the country as a whole these need to be removed.

[Paragraph 142] In coming to the above conclusion we make the following observations—

- There are core services which must be provided by local authorities universally across the country and to agreed basic standards. For example education and social work. The agreed basic standards are basic human rights and fall to be specified centrally. Provisions beyond the minimum become matters for local democracy.

- We do not expect the same level of services or service provision to necessarily be appropriate in all places. For example local schools will inevitably be sighted further from some residents in rural areas and the economics of services such as refuse collection will dictate frequencies. We heard when in Stornoway of a culture of volunteering with local services often being provided by volunteers. We do not agree with the suggestion from Argyll and Bute that the distribution formula always needs to recognise higher costs of having multiple service points for small populations. Communities should not expect identical service provision beyond agreed basic levels to those who choose to reside in large urban settings.

- Decisions on the services and levels to be provided are matters for local democracy, recognising inevitably that they will be influenced by funding considerations.

- We do not accept postcode lottery arguments for other than the core services, provided minimum standards are met. The extent to which agreed basic standards might be exceeded, or indeed for non-core services provided at all, are matters for local determination. We are clear that is the democratic function of local authorities working alongside local areas and communities.

- We accept, should this approach be implemented, there will be degrees of success. Indeed as we suggested in an earlier report the absence of failures will be indicative of authorities taking a too cautious and risk averse approach. It will be incumbent upon tiers of government and particularly politicians not too react to such failures by rushing to condemn.

[Paragraph 143] In relation to the powers exercised by local authorities we suggest this should be variable by authority, indeed variable to a local level. We retain an open mind on the subject and look forward to this discussion developing over the coming months. We note the moves towards implementation of the City Deals in Scotland, we have commented above on the islands and have noted proposals towards subsidiarity.
[Paragraph 144] We do not consider it would be helpful or appropriate to specify who should do what. We would like to see local authorities, preferably in partnership with local groups, taking the initiative here and either coming forward with their own proposals or preferably using existing powers to simply do it, make the necessary changes administratively and devolve responsibility and authority to the lowest level. Perhaps empowering local councillors to make more decisions, with their communities. We expect central government to facilitate this by both word and action and to remove barriers to this approach were they might exist. We do not accept audit, finance or other bureaucratic requirements should be allowed to impede local decision making.

[Paragraph 145] Councillors Garvie and Kerr both suggested we should be looking at “a statutory way of empowering localism”\(^2\). We want to see localism empowered but hope it can be done without recourse to statute thus preserving the maximum possible flexibility to meet local circumstances and conditions.

INTRODUCTION

Background and Context

1. At our meeting on 5 February 2014 we agreed to undertake an inquiry to examine the levels of flexibility and autonomy available to local government in Scotland. Our aim was to learn lessons and inform the ongoing debate on whether there is a need to strengthen, and enhance, local democratic structures in Scotland. We saw this as a timely piece of work given other activity taking place across Scotland and as a natural follow on from our earlier work this session.

2. In particular our remit as a committee, as established by the Parliament, includes consideration of the financing and delivery of local government and local services. This session we have conducted a three strand inquiry into public services reform looking at partnerships and outcomes, benchmarking, and finally developing new ways of delivering services. In addition we produced a report following the 2012 Scottish local government elections.\(^3\)

3. Other work we have undertaken has also greatly assisted us in this inquiry: in particular our inquiry into the Delivery of Regeneration in Scotland\(^4\); and our preparatory work to consider the approach to, and consultations on, the Community Empowerment Bill. Our budget reports have also been of benefit, in particular the 2013 report into the 2014-15 Local Government budget settlement.

4. In September 2013 COSLA established an independent Commission on Strengthening Local Democracy (“the Commission”) to “identify a route map to deliver the full benefits of a shift in power towards local democracy for people in Scotland”. An interim report by the Commission was published in April 2014.

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5. There have also been a number of recent reports looking at the general area of local government in Scotland—

- The Council of Europe reported on local and regional democracy in the United Kingdom on 12 February 2014;
- The Jimmy Reid Foundation on the failure and revival of local democracy in Scotland in April 2012 entitled The Silent Crisis;
- Reform Scotland published on Renewing Local Government in May 2012.

6. We were also provided by Voluntary Action Scotland and the Third Sector Interfaces with a copy of the VAS/TSI perspective “Strengthening local democracy in Scotland” prepared in March 2014.

**Five Strands**

7. In considering the overall remit we identified five strands under which we took forward our work—

- Contrast the position of Scottish local government with the constitutional and legal framework in neighbouring EU jurisdictions;
- Examine the level of public engagement and interaction with local government, including turnout at local elections;
- Consider the legal and constitutional funding mechanisms available to local government;
- Consider how remote, peripheral or island communities are accommodated within the local government structures; and
- Consider the level of legal flexibility, and autonomy from central government, which local government enjoys.

**Methodology**

8. Throughout the report we will refer to other works. It was not our intention to duplicate other inquiries or reports either ongoing or complete; we are grateful for this work and have studied much of it closely. We did not however come to any views based on individual pieces of work nor do we endorse the findings of others except where we reach similar conclusions.

9. We took evidence from members of the Commission at our meeting on 23 April during which they helpfully discussed with us the contents of their interim report. We earlier took evidence from the Commission to discuss its setting up and purpose.

10. We are of course aware of the proposals in the White Paper “Building a Modern Democracy” relevant to local government and also those included in the reports by the Scottish Labour Devolution Commission “Powers for a purpose – Strengthening Accountability and Empowering People” and the Scottish Conservatives
“Commission on the Future Governance of Scotland”. We did not take direct evidence on any of these reports.

11. Being aware of different approaches in the way local government operates in other jurisdictions three of us undertook a fact finding visit to Hamburg in Germany, Copenhagen in Denmark and Malmö in Sweden during which we held a number of meetings with local and national politicians and others. Notes of all of the meetings from that visit can be found in Annex D to our report.

12. We took oral evidence by video link from politicians and officials in the Åland Islands in Finland, as an example of an autonomous island community. Additionally, we held a committee meeting and in Stornoway specifically to hear from those behind the “Our Islands Our Future” campaign and heard from the third sector as well as holding an informal event with individuals which included a lively twitter discussion. This allowed people from other island communities to participate and input directly into our work. Notes of the community event can be found in Annex E to our report.

13. We also received oral evidence from council leaders across Scotland, academics, the third sector and from the newly re-established Scottish Provosts Association. Leaders of minority groupings on councils also shared their views on a cross-party basis. Finally we took evidence from the Minister for Local Government. All the evidence taken in meetings is reported in the Official Report and the Extract of Minutes of these minutes is included at Annex A. Annex B contains associated written and oral evidence received, and Annex C included other written evidence received.

14. We issued a call for written evidence and received 37 submissions, which are available on our website. We are extremely grateful to all who provided us with evidence and to those who contributed at the informal event in Stornoway.

15. Our report is divided into the five strands as set out above, recognising a degree of overlap exists.

STRAND 1

Contrasting the position of local government with the constitutional and legal framework in neighbouring EU jurisdictions

16. This strand is essentially concerned with a consideration of the number of councillors and number of local authorities in Scotland and how that relates to other jurisdictions.

17. We received a number of briefings from the Scottish Parliament’s Information Centre (SPICe) as well as having the benefit of the work of the Commission setting out the raw data with regard to population and representation. We have summarised some of this in a table which is contained at Annex G.

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5 Written submissions: http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/75830.aspx
18. Like the other nations of the United Kingdom, local government in Scotland has no formal constitutional status. This status, or protection from abolition or reform, was seen as significant by a number of witnesses, in much of the written evidence, and particularly in evidence from the local government community.

Report by the Congress of the Council of Europe Report

19. The United Kingdom signed the European Charter of Local Self-Government on 3 June 1997 and ratified it on 24 April 1998. Article 2 requires the principle of local self-government to be recognised in domestic legislation, and where practical in the constitution. The Council of Europe adopted a report of its monitoring committee in February 2014 on the state of local and regional democracy in the United Kingdom. The overall conclusions of the council report were the United Kingdom was “in general, in compliance with the obligations under the Charter.”

20. The Congress Report did however express concern—

“the Constitutional or legislative recognition and entrenchment of (the right to) local self-government does not exist in the United Kingdom (including Scotland), and that the introduction of a general power for local authorities does not go far enough in satisfying the spirit of the Charter.”

21. Part 4.8 of the Report examined Article 11 of the Charter relating to the legal protection of local self-government. The Report concluded “despite fairly limited protection, judicial review is possible and the situation can be considered to be in compliance with the Charter.”

Discussion

22. Professor James Mitchell suggested constitutional protection was important symbolically but not enough on its own to protect local government. Dr Peter McLaverty added, “If local government had a constitutional place, councils would have a more secure position and more freedom to do the things they need to do”.

23. We discussed this issue with the council leaders of minority parties. They considered constitutional protection would be useful to increase local authorities’ standing locally, and to give it its place in Scottish society. The Council Leaders considered “parity of esteem” between local and central governments was just as important in the eyes of the public. By this we take them to mean local authorities should be considered if not of equal status then of equal importance and value to citizens given their role in the provision and delivery of services.

24. In its written submission, the Scottish Government stated—

“With independence, Scotland will notify its succession to the European Charter of Local Self-Government and duly become a signatory. We will meet our obligations by pressing for the written constitution of an

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6 Congress of Local and Regional Authorities to the Council of Europe. Local and regional democracy in the United Kingdom (2014). Available at: https://wcd.coe.int/ViewDoc.jsp?id=2171585 [Accessed 20 June 2014].
7 Ibid (4.8. Article 11: Legal protection of local authorities: paragraph 234).
independent Scotland to guarantee the status and rights of elected local government.”

25. In its report, the Scottish Labour Devolution Commission, recommended “We will work to establish a constitutional guarantee of powers for local government”

**Number of Councillors and pro rata representation**

26. Given the number of councillors in Scotland is lower per head of population than elsewhere, we considered whether there was a case to increase their number and/or the number of local authorities.

27. We also considered whether other bodies operating at a local level could be included as providing representation. For example, having noted the position in both Sweden and Denmark, where health is largely a matter for a separately elected local body, we considered to what extent the 14 territorial Health Boards could be considered as part of the democratic framework in Scotland.

28. We questioned whether this was being addressed, even to a limited extent, as a consequence of Health and Social Care integration. In evidence to us Steven Grimmond, the Chief Executive of Fife Council, suggested:

“Health and social care integration moves us into interesting territory, because the creation of integrated boards can be viewed either as bringing elements of health and social care for the first time into an arena that involves more democratic accountability through local government or as a drift away from direct accountability into a different vehicle that is slightly at arm’s length from health bodies and local government. The process of developing health and social care integration raises wider questions about the governance of wider public services—not just health and local government services.”

29. Councillor Susan Aitken seemed to agree—

“The new health and social care partnerships will mean that local government shares its responsibility for adult social care services with the national health service board; in return, the NHS board will share its responsibility for primary care services with local government. The creation of the partnerships therefore gives local authorities direct democratic oversight of areas of the health service that it did not have previously.”

30. And Councillor Graham Garvie from Scottish Provosts Association and Scottish Borders Council indicated “in Borders, we are moving closer together with joint appointments in health and social work and a joint public health director.”

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10 Scottish Government, written submission.
31. We also considered the legislation requiring elections to health boards and noted this had not proved successful with elections being discontinued.\textsuperscript{16} This undermines the ability to include them within the democratic landscape of local government.

32. We noted recent development in local authorities with the establishment of Arm’s Length External Organisations ("ALEOS") to run services formerly delivered by councils. The establishment of such organisations, which can have financial benefits, does however further erode democratic accountability.

33. We also considered the extent to which the third sector could be considered to be locally accountable. Although not elected, in very many instances services are being provided by locally based people, volunteers or otherwise, to local areas. This is particularly the case in the islands with many services being delivered by the third sector on behalf of local authorities.

34. There is no doubt the position in Scotland is different from other European countries with council ward sizes significantly higher here. To that extent we agree with the suggestions made that Scotland is under-represented when compared with other countries. However we noted there are many factors to be considered with as many differences between countries as there are similarities.

35. Academic witnesses gave their views on the size of authorities. Dr McLaverty suggested "size is not the main issue....The main issue is that people feel disengaged."\textsuperscript{17} Later adding:

"There is nothing wrong with having local councils of different sizes. The idea that all local councils should be the same size and carry out the same functions is not particularly sensible. The structure that you will need for a poorly populated rural area will be different to the structure that you will need for a built-up urban area. Thinking that you can govern them in the same way does not seem to make a lot of sense."\textsuperscript{18}

36. Professor Mitchell referred to the Wheatley Commission report from 1969 which concluded there are appropriate sizes for providing certain functions. Noting each function has a different size and suggesting there needs to be a balance between size and localism.\textsuperscript{19}

37. We heard from the Scottish Provosts Association whose members are generally councillors with substantial experience in their role. Both Councillors Kerr and Garvie advised against significant changes to existing structures. They, along with other witnesses, noted changes were occurring with moves in local authorities towards shared services and functions.


38. Councillor Garvie also noted an interesting dynamic change in society with people’s loyalty being more to communities of interest rather than to local communities.\textsuperscript{20}

39. The Minister stated he did “not detect that the Scottish public believes that having more local authority councillors will, in itself, deliver greater participation or improve services.” And on the question of structural change added the Scottish Government believed it “would be a misuse of energy at present because of the work that it would involve.”\textsuperscript{21}

**Findings**

40. Our preliminary conclusion here is that beyond the narrow confines of academia and COSLA, people are less concerned about the ratios and numbers of councillors towards and more interested in how functions are being exercised and the extent to which they are able to influence them.

41. Equally we see no identifiable case for increasing the number of authorities, we are not convinced of the need for structural reform of this type. Later in this report we look at whether changes should be more concerned with appropriate powers in different areas matching local needs.

**STRAND 2**

**The level of public engagement and interaction with local government, including turnout at local elections**

42. The Scottish Community Alliance in written evidence concluded—

“For many years and in particular since the two tier system of local government was reorganised in 1995, councils have invested heavily in ways to engage their communities more effectively. On the whole, and in particular those strategies that have been pursued through community planning processes, have with very few exceptions, resulted in abject failure.”\textsuperscript{22}

43. We were keen to understand why this conclusion had been reached and what activity was being undertaken across Scotland by local authorities to engage with the public. A number of witnesses referred to the principle of subsidiarity which would see decisions, indeed matters, being determined by the smallest, lowest or least centralised authority capable of addressing it effectively. Others told us councillors were too remote, “The work of the local community takes the council forward, not the other way around”\textsuperscript{23} which chimes with the suggestion from SCVO who suggested—

“Instead of looking at how we bring people into the local authority or local government to try to influence decisions, we should turn the question round


\textsuperscript{22} Scottish Community Alliance, written submission, page 2.

and ask what sort of organised activities public authorities should invest in to enhance local democracy and community action.”

44. Local authorities, in general, were quick to highlight the efforts they were making to engage and empower local communities. In written evidence Argyll and Bute Council, East Dunbartonshire Council and others all provided examples to suggest they were engaging and involving local communities in decision making. For example, we heard about citizens’ juries and panels, newsletters and consultation exercises, all designed to elicit views from local people.

45. We heard how local authorities are seeking to devolve responsibilities down towards local areas and communities. We heard about schemes in Glasgow, North Lanarkshire, Edinburgh, Fife and elsewhere and were made aware of others across parts of the country designed to involve communities. In Fife we were told—

“We have a significant commitment to a decentralised approach, partly because of Fife’s scale and geography, and we focus on seven area committees. Each area has a committee of elected members and a focused area management team, which is there to ensure a degree of engagement with the more localised communities and to co-ordinate services. Those constructs also have a focus on the development of community planning and engagement in relation to the wider basket of public services.”

46. In Glasgow and Edinburgh we heard about the early stage of efforts to bring the community into direct decision making about the allocation of funding and implementation of strategies. In South Lanarkshire we were told how “locality planning” operates and all services come together to address local issues. Although we did not understand local communities in South Lanarkshire to be directly involved in the process.

47. On the Glasgow approach Council Aitken commented—

“our communities are absolutely full of people who are incredibly engaged, who know their communities and who know what is necessary to improve ordinary people’s lives. We need to have the courage and the will to give them the ability to make decisions about their neighbourhoods”

48. Whenever we have spoken to local people on this, and during our other inquiries, we have received a quite different message. As in our previous inquiries communities tended to view things differently and remain unconvinced their local authorities are indeed seeking to meaningfully engage them or devolve powers down.

49. While the efforts described above are acknowledged these are dismissed as tokenism without power. We were frequently told “our opinions do not count, the decision has already been made.” We heard in Glasgow—

“...one part of the council is talking about these things and having genuinely good aspirations about involving communities while another part is still doing

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things in a rather old-fashioned way by imposing changes on people. Very often, those changes affect what we might call communities of interest rather than geographical communities. For example, specific groups of service users in Glasgow, such as older people and people with learning disabilities and their carers, have recently faced particular issues and experienced a number of problems."

"We all recognise that changing and reconfiguring services is necessary, particularly in the current financial climate, but that goal is being pursued in such a way that people feel enormously alienated. There has been a loss of confidence and trust. There is definitely still a gulf between the aspirations in some parts of the council and the need to carry those aspirations through to create a culture of genuine engagement and involvement to which the entire local authority is signed up. We are still quite a long way from achieving that."

50. Councillor Kerr perhaps supported this perception when he observed—

"We allocate to the towns a town centre capital programme, which is then discussed by town centre management groups, community councils and local area committees. However, we have not gone to the stage of giving them the authority and power to issue a contract. Maybe we are behind other authorities on that. It will become meaningful only if the local area committee, or whatever title you want to give it, has the allocation of capital and money as well as the authority"

51. Councillor McNamara gave us an interesting insight to different approaches to community engagement at a councillor level—

"Some councillors have said to me that to create a residents’ group would only be to create a stick to beat yourself with. That is a modern-day thought and it is a frightening thought … I believe that we should engage much more with the community and we have the tools to do it."

"It is very easy to work with communities if we put our minds to it. It is not simply about people sitting down and having a chat with their councillors. As I have been trying to explain, it is about empowering the community"

52. We were told local democracy was struggling to improve outcomes and reduce inequalities in Scotland because these occur at a very local community level." One of the Commission’s conclusions was—

"We need a culture of collaboration rather than the existing, often adversarial, culture. We need a new ideology, where democracy is designed

from the bottom up and empowered, and has a collective interest in the democratic health of the whole country."

53. It was suggested people want local government decentralised with communities being empowered with a more participative role as opposed to the current model of representative democracy. Ideally councillors becoming people who empower community involvement. As Professor Kerley said, if people are encouraged to engage, comment, discuss and grapple with issues they can be encouraged to build more engagement.

54. We applaud the example given to us by Councillor McNamara demonstrating how involvement and engagement by councillors at a local level can change attitudes of both residents and in this example the police, but equally any service provider—

“We do not work just down to ward level; we work down to street level—perhaps half a dozen streets that we can get together. The big issue for my community is a change in its attitude to and respect for the individuals who create or provide the services. I have seen that. There has been a change in emphasis and in the attitude to the police, for example. They are no longer “them”; they are now part of the community.” …

“The police now understand the communities that they are there to serve and their difficulties much better than they did before. That has changed the attitudes of the residents, who have set up their own groups, which are not community councils.”

Local Government Elections

55. One of the key measures of public engagement and indeed the health of a democracy is voter turnout. In our Report on the 2012 Scottish Local Government Elections\(^\text{33}\) we made a series of recommendations around voter turnout, proxy and postal voting, addressing diversity, age of voter issues, ordering of the ballot paper and the timing of elections. The Scottish Government has subsequently initiated a consultation exercise\(^\text{34}\) addressing all the above bar the timing of elections and we look forward to the findings of that consultation and ensuing actions.

Community Councils

56. Community Councils were created by the Local Government (Scotland) Act 1973, which required local authorities to introduce Community Council schemes for their area. The Act outlined various arrangements relating to elections, meetings, boundaries and finance. Local authorities, in consultation with their Community Councils.

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Councillors have the freedom to tailor schemes to the particular circumstances of their area.

57. Across Scotland there are around 1,200 Community Councils with an estimated 12,000 Community Councillors. We heard the majority are unelected, for example in Edinburgh City of the 43 Community Councils there were elections in only three.\(^{35}\) In West Lothian we were told there had been only one election in 40 years.\(^{36}\)

58. The role, powers and functions of Community Councils have remained largely unchanged since 1973 despite various reviews and reports directed at developing their reach and role.

59. The latest review was undertaken by a Scottish Government working group with a remit to “inform future policy development by making representations on ways to build the resilience and capacity of Community Councils, in order to strengthen their role and relevance as voices for their communities.”

60. That group reported in September 2012, and stated—

“Community Councils are but one of many community organisations and whilst able to undertake wider roles within the community, their unique role is that of a statutory community representative group. … this important key role should remain paramount and be utilised as a matter of course by the wider public sector and that genuine partnership working, transparency and accountability be encouraged and supported so that trusting relationships, working together to achieve mutually beneficial outcomes, are established and continue to grow.”

“…current legislative provisions do not preclude many innovative, forward thinking Community Councils from expanding their horizons to meet the needs and aspirations of their communities. … support structures and availability of information to enable this to happen as a matter of course is patchy and varies throughout Scotland and that capacity building through training and robust support structures need to be developed as these are seen to be key.”\(^{37}\)

61. The Working group made recommendations covering the value and esteem of Community Councils, devolving responsibility, partnership working, accountability representativeness, training, support and communication, individual liability and contested elections some of which we return to in this report.

62. Old Aberdeen Community council expressed a particular concern regarding the approach their local council takes to engaging them and the impact it has on their ability to participate. They summed up their frustrations—

“It is our contention that this state of affairs, while in compliance with the relevant laws, is not democratic and contrary to the Scottish Government’s

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stated desire for increasing community involvement. While Aberdeen City Council has signed up to the National Standards for Community Engagement, it is forcing communities and community councils to struggle day in, day out for access to nominally available public information from the Council. In past times, before the ubiquity of modern communication tools, more detailed communication would just not be feasible, but that excuse cannot be used now.”

Other local bodies

63. Community Councils are not the only groups operating in communities. We heard about Residents Associations, Tenants Associations, Community Development Companies, Community Trusts, local neighbourhood associations and indeed numerous small organisations many of whom campaign on a single local issue or started life campaigning on a single issue.

64. In addition there is the third sector. Across Scotland it is estimated there are 45,000 voluntary organisations with an estimated 1.2 million people volunteering within them.

What restricts devolution downwards?

65. Witnesses suggested local authorities were restricted in the actions they could take, for example in relation to devolving budgets or empowering local communities. When this was explored with witnesses, they generally admitted the real problem lay with their own mindset and how to effect cultural change internally.39 We were told “we have the tools and ability in those structures, and it is up to councils to use them and have the will themselves to devolve and to embrace subsidiarity.”40 The Minister reinforced this when indicating “We sometimes hear that there are barriers to progress, which, when we push things, we find do not exist—they exist only in people’s minds.”41

66. Professor Richard Kerley, speaking as a member of the Commission on Strengthening Local Democracy suggested the effect of centralising decision making, be it in Aberdeen, Edinburgh or Holyrood, is to “disempower people”, adding

“Part of the cultural difference between us and some other countries and societies is an acceptance that a degree of local self-mobilisation is both legitimate and the appropriate way to tackle some specific local matters, as opposed to a broad, general proposition that may be legislated and provided for countrywide or jurisdictionwide.”42

67. Councillor Aitken from Glasgow City Council suggested “We need to have the courage and the will to give them [communities] the ability to make decisions about their neighbourhoods”43. And Councillor McNamara from North Ayrshire Council said

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38 Old Aberdeen City Community Council, written submission, page 2, paragraph 10.
“Perhaps local government has not properly demonstrated how it can use its current powers.”

68. Even where some involvement of communities has taken place, as in the example we heard from West Lothian, this stopped short of giving meaningful authority by restricting the towns to whom a capital programme is allocated the authority to issue contracts.

69. It was suggested to us the “Community Council” brand was irreparably broken and incapable of continuing. We disagree, but recognise the scale of the challenge faced to bring about a meaningful role for communities in the commissioning, direction and delivery of local services. Results from the 2012 Scottish Household Survey found—

“..only one-fifth (21%) of adults in Scotland agreed that they can influence decisions affecting their local area and around a third (33%) said they would like to be more involved in the decisions their council makes.”

70. We note also the Scottish Labour Devolution Commission recommendation, “We will require local authorities to incorporate empowerment of local communities into their work. We believe double devolution and subsidiarity should apply to councils too.”

The Scottish Conservative’s Commission on the Future Governance of Scotland also made recommendations to embrace “decentralisation within Scotland” and to “enhance local accountability” with powers over certain matters to be “driven down to the lowest possible level of community government.” The Scottish Government has now introduced the Community Empowerment Bill which the Minister told the Committee “will help to shift the balance of power towards communities.”

Findings

71. We believe, like the Carnegie UK Trust, the low level of public engagement in local politics is at least partly related to the nature of the relationship citizens and communities have with government. We consider adequate powers to devolve responsibilities currently exist which local authorities must begin to exercise. In the event it transpires there are a few limited areas in which local authorities may be lacking powers to devolve responsibility and control to communities such restrictions require to be identified and appropriate action, at whatever level, taken to resolve.

72. We agree with the President of COSLA, who stated—

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49 The term ‘double devolution’ is understood to refer to the process of taking power from central government to local government, and, power from local government to local people.
“Power should lie at the most appropriate level. Sometimes it is appropriate for it to be at community level; sometimes at local authority level; and sometimes at national level.”\textsuperscript{51}

73. Given the comments we received we expect local authorities to draw up schemes to have power exercised at the lowest appropriate level in all areas (localities or by groupings of interest) involving and including bodies/groups who are engaged, empowered and have controls. In so doing we anticipate they will wish to reflect the approach as part of their Single Outcome Agreement.

74. We do not consider it important what the body or group exercising these powers and responsibilities is called, in some areas Community Councils will be working well and respected while in others it may be Residents Associations, Tenants Associations, Community Development Companies or Community Trusts. The type of body or group should be the one best suited to local circumstances.

75. We are also clear there should be a requirement to directly, or through elected representatives, consult with all local or interest bodies prior to decisions being taken by the local authority which affect or impact an area. We have heard numerous comments about consultation being tokenistic or even after decisions have been made, and expect all authorities to do their utmost to make consultations both meaningful and timely.

76. We further consider appropriate bodies/groups should have control over budgets for the delivery of specified local services. It is for wider discussion what those services should include, but for example grounds maintenance, play parks and local care services.

77. We consider it should, in the first instance, be left to each local authority to determine how the above is achieved and with which groups/bodies with the clear aim that such groups or bodies are collectively fully representative of all strands of interests and groups in the community.

78. We will return to this area next year and in the absence of significant progress will make recommendations to require these actions to be taken.

79. In relation to local elections we are content to await the results of the Scottish Government consultation which picks up many of the issues we raised in our earlier report on the 2012 elections. As indicated in our report we will be closely monitoring progress on these matters.

\section*{STRAND 3}

The legal and constitutional funding mechanisms available to local government

80. Local Authority funding and expenditure in Scotland in the current year is expected to exceed £11.5 billion across the 32 local authorities. This is composed of

four main elements: council tax, fees and charges, Scottish Government grant and other income. Detail of this funding is contained in Annex F.

81. The one area upon which there is almost unanimous agreement amongst politicians and parties is that the current system of financing requires reform.

82. The public are perhaps less concerned about where local authority income comes from and who collects it, or the split between government grant, council tax and fees and charges. It was suggested to us for example the council tax freeze was very popular.52

83. The Scottish Government’s White Paper on independence states—

“The current council tax system is unfair, which is why the current Scottish Government has fully funded the council tax freeze for the last 6 years and frozen the tax at 2007/08 levels. We are committed to continuing the freeze for the lifetime of this Parliament and will consult with others to develop options for a fairer and more progressive local tax, based on the ability to pay and would take this forward after Scotland becomes Independent.”53

84. The Scottish Labour Devolution Commission, although they noted the matter was not within their remit, states “We believe the present system of local government finance is broken.” Adding their suggested guiding principles of reform should be—

- “It should be the aim to establish a system which commands cross-party consensus, to deliver a long term solution to funding local government services.

- A system should be put in place that establishes a clearer distinction between the roles of central and local government in setting council budgets.”54

85. The Conservative Commission on the Future Governance of Scotland notes the issue was not within its remit while suggesting reform of local government must be examined under a clear set of principles.

86. We received considerable written evidence on this aspect of our inquiry, covering a range of interests. The Chartered Institute for Public Finance and Accountancy (“CIPFA”) for example suggested—

“The balance of local accountability has been fundamentally altered, distorting the previous relationship between, local government, the citizen and central government and thereby reducing the autonomy of local government. Responsibility for local taxation, should sit clearly at a local level and should promote accountability to local citizens for local choices and

Local Government and Regeneration Committee, 8th Report, 2014 (Session 4)

incentivise growth of the local economy, attract investment and deliver positive outcomes for the local area.\(^{55}\)

87. East Lothian Council similarly made points about fiscal autonomy and local accountability—

“Local accountability has been weakened over the last three decades by the continuing erosion of local government’s fiscal autonomy which has significantly reduced the ability of Councils to raise income to meet local needs.” … “Local accountability will only be restored if local government regains control over a greater proportion of its income and expenditure. Unless local government regains control over how much of its income it can raise it will become an administrative tool of central government.”\(^{56}\)

88. During our visit to Germany, Denmark and Sweden we investigated their respective approaches. Full details are contained in the notes to that visit attached at Annex D. We also considered the approach to funding in other jurisdictions and this is summarised in Annex G.

89. We heard some approaches to what appears is developing to become in Scotland an intractable problem relating to the division of funds across Scotland. In Denmark a global figure is settled centrally with any changes to the annual distribution amongst authorities being negotiated and agreed between the authorities. For example if one area wishes to bid for an increased sum, perhaps to address specific local needs, the increase requires to be deducted from the central allocation to other areas. To our surprise we were told such debates work although this is perhaps assisted by the powers that exist locally to adjust local taxations to make up shortfalls.

90. This contrast with Scotland, where the centre also sets a total sum to be distributed but distribution is according to fixed formula. This is fully explained in a SPICe paper prepared for us.\(^{57}\) The difficulty arises in Scotland through the lack of any mechanism allowing changes to be negotiated and agreed by individual local authorities. Instead COSLA seek to reach agreement on behalf of all 32 local authorities.

91. We are not convinced such a level of maturity currently exists in Scotland which would allow individual agreements to be reached like they are in Denmark, and recent evidence would support this contention. Perhaps such negotiations would be easier if local authorities had powers to levy local taxes (beyond council tax or whatever might replace it in the future). We explore forms of taxation in the next section.

\(^{55}\) CPIFA written submission, par 1.3.
\(^{56}\) East Lothian Council written submission, section 2.

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Additional Local Taxation powers

92. Leaving aside council tax we received a number of suggestions around bespoke local tax-raising powers. Currently local tax-raising powers are not available to local authorities as the Scottish Government stated in an answer to a Parliamentary Question—

“there are no existing powers for local authorities to levy a local tax of this kind. The Scottish Government position is that the Scottish Parliament has competence to enact legislation which would allow local authorities to do so” adding “Ministers have no plans to introduce legislation to allow local authorities to levy local tourism taxes.”58

93. Across Europe, local governments can levy a wide range of taxes, including local sales, income, and property taxes. This, it is argued, provides them with increased flexibility to respond to local needs and local circumstances. One example given was a tourist or hotel guest levy as proposed by Edinburgh City, partly in response to the additional costs they incur in providing general services and facilities to accommodate large numbers of tourists.

94. One rationale for local taxes, aside for raising revenue was provided by Councillor Burgess as a—

“need to make local government relate to their [people’s] lives. They need to feel that local government is making decisions and has powers, including the power to raise local taxes that affect their lives.”59

95. It is noticeable the amount raised by local authorities from fees and charges has been steadily increasing and now totals £1.2 billion across all local authorities. Charges and fees cover a range of items such as the use of leisure facilities and for personal services for the ill and infirm. Parking charges and meters, on-street parking resident permits, care home fees, landlord registration charges are all a form of local tax which fall squarely within the above rationale.

96. Charges, where services are provided by the local authority, are often considered by people to be a form of local taxation. Many services provided by local authorities for example, waste collection and libraries are currently paid from council tax or central revenues. The existence or otherwise of charges in all such areas could, if local authorities had sufficient powers, reasonably become a matter for local democracy to determine.

97. The Minister in evidence simply noted “local authorities have a range of powers and financial mechanisms to deploy to continue to raise income.”60

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Local Authority owned Commercial Enterprises

98. During our visit to Europe we heard detail about local authorities establishing companies to provide local services, with profits being returned to the local authorities. We were told about commercial enterprises being run by Hamburg State, Boroughs outwith the city states in Germany, Copenhagen City Council and in Malmo. Annex D contains notes with further details from our visits.

99. Local authorities in Scotland have powers to establish ALEOS as well as other joint venture vehicles which are allowed to generate income. We heard that in Edinburgh they have a range of council companies and ALEOS as well as a 91% stake in Lothian Buses which returned a £3million dividend in the last financial year. Fife indicated their most recent ALEO was in the area of waste management and energy generation which they anticipate will generate income to come back for reinvestment.  

Findings

100. While political parties agree there is need for financial reform no one party has yet brought forward ideas as to how this should be undertaken or what a replacement for council tax should be. We make a clear recommendation this issue must be addressed at the earliest opportunity involving all political parties.

101. Steps should be taken within the lifetime of this Parliament to initiate an agreed approach to facilitate meaningful debate on alternative approaches with the aim of having a new system identified in time for the next local government elections in 2017. We consider this to be the latest appropriate timetable which would enable candidates at that election to put forward their policies linked to revised funding mechanisms. Given the desirability of reaching consensus we consider this should be done by way of an independent cross-party commission which should include representatives from local government and wider civic society across Scotland.

102. Local authorities should have powers to raise sums locally. Indeed, they already do this to a considerable extent. We consider existing restrictions imposed centrally should be relaxed allowing local authorities to determine what is appropriate for local circumstances and what will further support local ambitions. We consider there should be a range of taxes or charges from which they should be free to choose to levy to meet local circumstances and needs. The cross-party commission should consider whether there should be a range of taxes or charges from which local authorities should be free to choose to levy to meet local circumstances and needs.

103. We recognise this power will lead to variations across the country which we see as a desirable adjunct of the exercise of democracy. It would then be for locally elected politicians to be held to account by their electorate.

104. We draw to the attention of local authorities, activities in other jurisdictions which provide services and make profits to be reinvested locally. However we would not like to see this undertaken without clear business cases being established or at

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the expense of democratic accountability which is often seen as being the case of some ALEOS.

STRAND 4

How remote, peripheral or island communities are accommodated within the local government structures

105. This strand was specifically included within our remit as we were aware of the “our islands our future” initiative being promoted by the three islands’ councils, Shetland, Orkney and Comhairle nan Eilean Siar and we wanted to consider their position. We also recognise other island communities within Argyll and Bute, Highland and North Ayrshire councils could be similarly affected.

106. Looking at the powers of island communities is consistent with our overall approach as well as being in line with UK and EU policy. In particular the EU seeks to give “special attention” to the specific characteristics of territories with serious and permanent handicaps, including islands. The EU is committed to the principle of subsidiarity and to ensuring national institutions act likewise. The principle that decisions should be taken as close to the citizen as possible is not one unique to islands.

107. Submissions from Orkney, Shetland and Comhairle nan Eilean Siar all emphasised their initiative, including when we visited Stornoway to hear from them direct. There we were told about discussions ongoing with the Scottish and UK Governments as well as the EU and COSLA. We were also told of the involvement of local communities, although here again there were mixed views as to the degree of involvement which seemed to differ between areas.

108. In Stornoway we were updated on the talks involving the Island’s Areas Ministerial Working Group which was looking at controls over the islands natural resources. Three areas in particular were mentioned, namely energy, matters currently under the control of the Crown Estate and transport particularly ferries.

109. Malcolm Burr emphasised the difference in island life with his answer to a question about spreading power throughout the Islands indicating—

“We are saying to the Scottish Government and to the UK Government, “Recognise our special needs, our special status and our special conditions.” We want them to look kindly on different models not just of service delivery, but of integration of public services and even of governance. It would be odd if we were not saying that we would be open to different ways of delivering services throughout our islands, and I do not believe that that is the case. That comes through very strongly in the submissions.”


110. The islands suggested to us that given flexibility in the way they operate along with additional autonomy they could do a lot better with public money, allowing them to rationalise and optimise public services in the unique way they operate.\textsuperscript{64} Councillor Campbell suggested a need to look at a new model for delivery of services in the islands and wondered how having three separate organisations delivering health, economic development and council activities was the best way of delivering services.

111. We were given examples of areas in which savings had been made following input and suggestions from local communities covering internal ferry services, recycling and community transport.

112. We recognise the success the “our islands our future” campaign has had in raising questions over the approach to local government in their areas and specific powers for them. At heart this is about bespoke powers for areas and as such we considered whether there was any difference in principle to extending a similar concept across all local authorities.

113. The Minister in his opening remarks to us confirmed the Scottish Government’s commitment to subsidiarity and local decision making before indicating “the Lerwick declaration applies equally to all other parts of Scotland.”\textsuperscript{65}

114. Councillor O’Neill, during an exchange on structures, indicated—

“I would like to go ever so slightly further. Even within local authorities, there will not necessarily be one system. I will give two examples from my local authority area. North Ayrshire has a population of 138,000. The island of Arran, which makes up half the land mass of North Ayrshire, has a settled population of about 5,000 people. North Ayrshire Council does not configure its services on the island of Arran in the same way as it configures its services on the mainland. Although the same sets of rights and standards apply, we deliver services in those two areas in different ways.”\textsuperscript{66}

115. And taking the concept further, Dr McLaverty stated—

“There is nothing wrong with having local councils of different sizes. The idea that all local councils should be the same size and carry out the same functions is not particularly sensible. The structure that you will need for a poorly populated rural area will be different to the structure that you will need for a built-up urban area. Thinking that you can govern them in the same way does not seem to make a lot of sense.”\textsuperscript{67}

116. The same concept could apply to the cities, and we are aware of ongoing discussions relating to the seven areas including cities (the Cities Alliance) within them to develop within Scotland the idea of City Deals.\textsuperscript{68} We understand the eight local authorities in the Clyde Valley are discussing a joint approach in this regard. We have not in our work to date taken evidence on or investigated this idea further, nor on the Cities Investment Fund.

117. We heard from politicians in, and the Secretary General to, the Åland Parliament by video link. The islands are an example of a federacy, which constitute a self-governing legislative region of Finland. Åland enjoys direct representation on the Nordic council and is able to send a representative to the Finnish Parliament.

118. The constitutional position on Åland was set out by the Secretary General and is included at Annex H. We also heard about their financial powers, level of autonomy from Finland, role in Europe matters, and about their ability to establish companies.\textsuperscript{69} Albeit the power to form companies is one they are reluctant to use other than for an internet gambling company which “is vital to our economy”\textsuperscript{70} employing 200 people and providing income to the Government of roughly €20 million per annum.

Findings

119. We support the principle of the island authorities receiving more powers, with less controls to enable them to implement bespoke, local policies for their areas.

120. We see no difference in principle to prevent similar arrangements being provided for Argyll and Bute, Highland and North Ayrshire councils in relation to the islands within their areas.

121. We support the principle of joint working between the island authorities.

122. We urge further examination of the concept of City Deals.

123. In the next strand we look further at local authority powers more generally as they apply across all local authorities.

STRAND 5

The level of legal flexibility, and autonomy from central government, which local government enjoys

124. Local authorities in Scotland have a range of mandatory duties and discretionary powers. Mandatory duties include the provision of schooling, promotion of social welfare, for example social work services, housing for the homeless and initiating and facilitating Community Planning. Discretionary powers


include promoting economic development and promoting arts and tourism. The Scottish Parliament has full powers in relation to legislating for the functions and powers of local authorities who can only act within the powers provided to them.

125. Decisions made by local authorities must be corporate ones, i.e. there are no provisions for policies to be made by individual councillors. Powers in the 1973 Act allow local authorities to devolve decision making to committees, sub-committees or council officers. Councils are free within the above constraints to determine the most appropriate structure or structures to meet their particular circumstances and context.

126. The only significant legislative structural change to the operation of local authorities made by the Scottish Parliament has been the Local Government (Scotland) Act 2003, which in addition to placing duties on local authorities to initiate and facilitate Community Planning introduced the concept of well-being. Local Authorities were given the power to do anything they considered likely to promote or improve the well-being of the area, or people within the area, so long as not otherwise prohibited by legislation. This provides considerable discretion to local authorities. Guidance suggests a variety of activities that can be undertaken, these include; promoting sustainable development, improving health, tackling poverty and deprivation, reducing inequalities and promoting equalities, promoting local culture and heritage and tackling climate change.

Central Control

127. Academic witnesses in response to a suggestion that devolution had not followed through to local government, wondered about a tendency for central control with Professor Mitchell suggesting “parties in opposition are in favour of decentralisation and parties in government centralise.” However the same witnesses also raised concerns about powers being centralised within councils, an issue we have covered earlier but mention again to make the point the tendency is for all politicians to wish to retain controls. Such an approach stifles innovation and risk taking in the devolved body.

128. The Minister was clear in evidence to us he did not accept centralisation suggestions—

“I refute and reject the centralisation charge, because we have a mandate to do certain things and we have done them. That is democratically approved and provided for, and the flexibility that local authorities have gives them the room to deliver their priorities.”

129. In our report in 2013; Public Services Reform in Scotland: Strand 3 - Developing New Ways of Delivering Services we identified a real barrier in decentralising as the attitude to risk. We stated “Too many of those engaged in PSR are risk averse”. And indicated “we expect the “risk averse” culture to be addressed

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and staff to be empowered to take more risks, which in turn will encourage and breed innovation.”

Power and Powers

130. We were particularly interested in powers available in other jurisdictions. Annex G summarises some of these which are also extensively discussed in other publications. During the visit of some of our members to Hamburg, Copenhagen and Malmo we discussed their respective powers along with funding arrangements. The notes of our visits contain details of what we were told and these can be found at Annex D.

131. It is clear that across the world local authorities, however described, enjoy a range of responsibilities and powers. Each country tends to be different generally reflecting individual circumstances and development. And within countries there can often be differences to reflect local circumstances.

132. We pursued this issue in our call for evidence and also with our witnesses. East Lothian suggested the imposition of change (centralisation) from the centre had weakened local democracy. UNISON agreed suggesting local authorities “should have much more autonomy to respond to the needs of their citizens.”

133. Others were less convinced about central control, Argyll and Bute suggested they “have a fair degree of flexibility in law” although then mentioned restrictions imposed by finance or audit “requirements”. Councillor McNamara indicated he was “more keen to use our current powers better than …to seek more powers.”

134. We received differing views on whether local authorities were gaining or losing powers which simply emphasises the different attitudes and approaches that exist across the country. We do not require to come to any view on who is correct, indeed it is perfectly possible both sides may be accurate.

135. In Stornoway we were told by local groups in the Western Isles power resided solely in Stornoway. While Councillors and officials may protest at this viewpoint the mere fact it is enunciated frequently, and in all places we have visited, demonstrates there is work to be done to engage and be seen to engage meaningfully.

136. The Third Sector was similarly sceptical suggesting such engagement happens only on a marginal basis while posing the question as to the overall role of local government. Ruchir Shah of the Scottish Council for Voluntary Organisations, asked—

“Should local government be about controlling services or about maintaining an overview of services? Alternatively, as many in our sector are now asking, how can local government focus instead on creating the right

74 East Lothian Council written submission, section 1.
75 UNISON written submission, page 5.
conditions for people in communities to support each other and to create their own services?"

137. He continued—

“Part of the problem is that we have fallen into a situation where local government primarily sees its core role as being to deliver statutory services. In some ways, that has become an albatross around its neck over the years. The results are risk aversion, a loss of creativity and an increase in bureaucracy. …… We want to move away from that towards a much more positive debate about local government’s role and purpose in supporting people to create and own their services.”

138. Numerous suggestions were made about new or additional powers for local authorities. Equally others suggested they did not wish more and some suggested they should use existing powers better.

Findings

139. Control or the perception of control by the centre, whether at local or central government needs to be addressed. Unless authorities and communities perceive they have the freedom to make decisions without control being exercised at a higher level there will always be a resistance to innovation, taking risks and delivering localised services to meet differing needs.

140. Looking ahead we support the vision of local authorities as enablers as well as providers of services. We are clear local authorities should seek to use their powers better and that greater flexibility is required across local authorities in the policies and practices that are adopted across the country.

141. We would expect to see structures put in place that suit those communities who wish to avail themselves of local control; this might require different structures throughout the country/authority as is appropriate to meet local needs. If there are legislative, audit or other internally imposed barriers in place which prevent a differentiation of services to meet local needs across a region or across the country as a whole these need to be removed.

142. In coming to the above conclusion we make the following observations—

- There are core services which must be provided by local authorities universally across the country and to agreed basic standards. For example education and social work. The agreed basic standards are basic human rights and fall to be specified centrally. Provisions beyond the minimum become matters for local democracy.

- We do not expect the same level of services or service provision to necessarily be appropriate in all places. For example local schools will inevitably be sighted further from some residents in rural areas and the economics of services such as refuse collection will dictate frequencies. We

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heard when in Stornoway of a culture of volunteering with local services often being provided by volunteers. We do not agree with the suggestion from Argyll and Bute that the distribution formula always needs to recognise higher costs of having multiple service points for small populations. Communities should not expect identical service provision beyond agreed basic levels to those who choose to reside in large urban settings.

- Decisions on the services and levels to be provided are matters for local democracy, recognising inevitably that they will be influenced by funding considerations.

- We do not accept postcode lottery arguments for other than the core services, provided minimum standards are met. The extent to which agreed basic standards might be exceeded, or indeed for non-core services provided at all, are matters for local determination. We are clear that is the democratic function of local authorities working alongside local areas and communities.

- We accept, should this approach be implemented, there will be degrees of success. Indeed as we suggested in an earlier report the absence of failures will be indicative of authorities taking a too cautious and risk averse approach. It will be incumbent upon tiers of government and particularly politicians not too react to such failures by rushing to condemn.

143. In relation to the powers exercised by local authorities we suggest this should be variable by authority, indeed variable to a local level. We retain an open mind on the subject and look forward to this discussion developing over the coming months. We note the moves towards implementation of the City Deals in Scotland, we have commented above on the islands and have noted proposals towards subsidiarity.

144. We do not consider it would be helpful or appropriate to specify who should do what. We would like to see local authorities, preferably in partnership with local groups, taking the initiative here and either coming forward with their own proposals or preferably using existing powers to simply do it, make the necessary changes administratively and devolve responsibility and authority to the lowest level. Perhaps empowering local councillors to make more decisions, with their communities. We expect central government to facilitate this by both word and action and to remove barriers to this approach were they might exist. We do not accept audit, finance or other bureaucratic requirements should be allowed to impede local decision making.

145. Councillors Garvie and Kerr both suggested we should be looking at “a statutory way of empowering localism”\(^\text{79}\). We want to see localism empowered but hope it can be done without recourse to statute thus preserving the maximum possible flexibility to meet local circumstances and conditions.

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ANNEX A: EXTRACTS FROM THE MINUTES OF THE LOCAL GOVERNMENT AND REGENERATION COMMITTEE

27th Meeting, 2013 (Session 4), Wednesday 30 October 2013

Strengthening local democracy in Scotland: The Committee considered a paper from the Clerk on the recently announced COSLA Commission and its proposed inquiry into examining steps to strengthen local democracy in Scotland. Members of the Commission have been invited to provide greater detail on the Commission's work at the Committee’s meeting on 4 December 2013.

4th Meeting, 2014 (Session 4), Wednesday 5 February 2014

Local Government Inquiry (in private): The Committee considered and agreed its approach to an inquiry on local government entitled 'Inquiry into the Flexibility and Autonomy of Local Government'. The Committee agreed the remit for the inquiry, as well as the number of evidence sessions to be held, and the witnesses from whom it wishes to seek written and oral and evidence. The Committee also agreed a public call for written evidence on the inquiry. The Committee agreed to seek the necessary parliamentary approval for: (i) a fact finding visit to Northern Europe, to examine comparative local authority structures and, (ii) an external committee meeting to consider the position of island communities in Scotland. Finally, the Committee agreed to undertake any discussion on oral evidence received, in private, at future meetings; any further approach to the inquiry, and all draft reports on the inquiry, in private, at future meetings, and to delegate to the Convener responsibility for paying any witness expenses.

11th Meeting, 2014 (Session 4), Wednesday 23 April 2014

Flexibility and Autonomy of Local Government: The Committee took evidence, by video conference, from—

Harry Jansson MP, Member of Autonomy Committee,
Axel Jonsson MP, Member of Autonomy Committee, and
Susanne Eriksson, Secretary General to the Parliament, Parliament of Åland;

and then from—

Councillor David O’Neill, President of COSLA and Chair of the Commission,
Councillor Michael Cook, Vice-President of COSLA and Member of the Commission,
Professor Richard Kerley, Professor of Management (Queen Margaret University) and Member of the Commission, Louise Macdonald, CEO of Young Scot and Member of the Commission, and

Adam Stewart, Secretariat to the Commission, Commission for Strengthening Local Democracy.
Flexibility and Autonomy of Local Government (in private): The Committee considered the evidence received.

12th Meeting, 2014 (Session 4), Wednesday 30 April 2014

Flexibility and Autonomy of Local Government: The Committee took evidence from—

Steven Grimmond, Chief Executive Officer, Fife Council;
Sally Loudon, Chief Executive Officer, Argyll and Bute Council; and
Hugh Dunn, Head of Finance, Directorate of Corporate Governance, City of Edinburgh Council.

Flexibility and Autonomy of Local Government (in private): The Committee considered the evidence received.

13th Meeting, 2014 (Session 4), Friday 2 May 2014

Flexibility and Autonomy of Local Government: The Committee took evidence from—

Cllr Angus Campbell, Leader, Comhairle nan Eilean Siar;
Cllr Gary Robinson, Leader, Shetland Islands Council;
Malcolm Burr, Chief Executive, Comhairle nan Eilean Siar; and
Alistair Buchan, Chief Executive, Orkney Islands Council.

and then from—

Anne Sobey, Chair, Co-Cheangal Innse Gall;
Marine Munro, Chair, Harris Voluntary Service;
Huw Francis, Chief Executive, Storas Uibhist;
Nicola Cowsill, Manager, Western Isles Community Care Forum.

Flexibility and Autonomy of Local Government (in private): The Committee considered the evidence received.

14th Meeting, 2014 (Session 4), Wednesday 14 May 2014


Flexibility and Autonomy of Local Government: The Committee took evidence from—

Dr Peter McLaverty, Robert Gordon University;

Prof James Mitchell, University of Edinburgh;

Cllr Graham Garvie, President, Scottish Provosts Association, and Convener, Scottish Borders Council;

Cllr Tom Kerr, Secretary, Scottish Provosts Association and Provost, West Lothian Council;

and then from—

Ruchir Shah, Policy Manager, Scottish Council for Voluntary Organisations;

Calum Irving, Chief Executive, Voluntary Action Scotland.

Flexibility and Autonomy of Local Government (in private): The Committee considered the evidence received.

15th Meeting, 2014 (Session 4), Wednesday 21 May 2014

Flexibility and Autonomy of Local Government: The Committee took evidence from—

Councillor Mac Roberts, Leader of the Scottish Conservative Group, Perth and Kinross Council;

Councillor Steve Burgess, Convenor, Scottish Green Party Group, City of Edinburgh Council;

Councillor Susan Aitken, Leader of Glasgow Scottish National Party, Glasgow City Council; and


Flexibility and Autonomy of Local Government (in private): The Committee considered the evidence received as well as its approach to its draft report.

18th Meeting, 2014 (Session 4) Wednesday 11 June 2014

Flexibility and Autonomy of Local Government: The Committee took evidence from—

Derek Mackay, Minister for Local Government and Planning, and Robin Haynes, Local Government Division, Scottish Government.
ANNEX B: ASSOCIATED WRITTEN AND ORAL EVIDENCE RECEIVED BY THE LOCAL GOVERNMENT AND REGENERATION COMMITTEE

11th Meeting, 2014 (Session 4), Wednesday 23 April 2014

ORAL EVIDENCE

Harry Jansson MP, Member of Autonomy Committee, Parliament of Åland;
Axel Jonsson MP, Member of Autonomy Committee, Parliament of Åland;
Susanne Eriksson, Secretary General to the Parliament, Parliament of Åland;
Councillor David O'Neill, President of COSLA and Chair of the Commission,
Councillor Michael Cook, Vice-President of COSLA and Member of the Commission,
Professor Richard Kerley, Professor of Management (Queen Margaret University) and Member of the Commission,
Louise Macdonald, CEO of Young Scot and Member of the Commission,
Adam Stewart, Secretariat to the Commission, Commission for Strengthening Local Democracy.

12th Meeting, 2014 (Session 4), Wednesday 30 April 2014

ORAL EVIDENCE

Steven Grimmond, Chief Executive Officer, Fife Council;
Sally Loudon, Chief Executive Officer, Argyll and Bute Council;
Hugh Dunn, Head of Finance, Directorate of Corporate Governance, City of Edinburgh Council.

Written Evidence

Argyll and Bute Council (34KB pdf)
City of Edinburgh Council (217KB pdf)

13th Meeting, 2014 (Session 4), Friday 2 May 2014

ORAL EVIDENCE

Cllr Angus Campbell, Leader, Comhairle nan Eilean Siar
Cllr Gary Robinson, Leader, Shetland Islands Council
Malcolm Burr, Chief Executive, Comhairle nan Eilean Siar
Alistair Buchan, Chief Executive, Orkney Islands Council
Anne Sobey, Chair, Co-Cheangal Innse Gall
Marine Munro, Chair, Harris Voluntary Service
Huw Francis, Chief Executive, Storas Uibhist
Nicola Cowsill, Manager, Western Isles Community Care Forum.

Written Evidence

Comhairle nan Eilean Siar (35KB pdf)
Orkney Islands Council (47KB pdf)
Our Islands Our Future (116KB pdf)
ORAL EVIDENCE

Dr Peter McLaverty, Robert Gordon University
Prof James Mitchell, University of Edinburgh
Cllr Graham Garvie, President, Scottish Provosts Association
Convener, Scottish Borders Council
Cllr Tom Kerr, Secretary, Scottish Provosts Association and Provost, West Lothian Council
Ruchir Shah, Policy Manager, Scottish Council for Voluntary Organisations
Calum Irving, Chief Executive, Voluntary Action Scotland.

Written Evidence

SCVO Strategic paper on local democracy (94KB pdf)

ORAL EVIDENCE

Councillor Mac Roberts, Leader of the Scottish Conservative Group, Perth and Kinross Council
Councillor Steve Burgess, Convener, Scottish Green Party Group, City of Edinburgh Council
Councillor Susan Aitken, Leader of Glasgow Scottish National Party, Glasgow City Council

Written Evidence

City of Edinburgh Council (235KB pdf)
Glasgow City Council (56KB pdf)
North Ayrshire Council (1) (309KB pdf)
North Ayrshire Council (2) (67KB pdf)

ORAL EVIDENCE

Derek Mackay, Minister for Local Government and Planning, and Robin Haynes, Local Government Division, Scottish Government.

Written Evidence

Minister for Local Government and Planning (2871KB pdf)
ANNEX C: OTHER WRITTEN EVIDENCE RECEIVED BY THE LOCAL GOVERNMENT AND REGENERATION COMMITTEE

- Accounts Commission for Scotland (51KB pdf)
- Andy Wightman (1413KB pdf)
- Carnegie UK Trust (897KB pdf)
- Centre for Social Informatics (40KB pdf)
- Children 1ST (34KB pdf)
- CIPFA (29KB pdf)
- City of Edinburgh Council (235KB pdf)
- Copenhagen City Council, Denmark (2002KB pdf)
- Copenhagen City Council, Denmark (No 2) (310KB pdf)
- CTC Scotland (National Cycling Charity) (31KB pdf)
- Danish Institute for Local and Regional Government Research (1523KB pdf)
- Danish Institute for Local and Regional Government Research (No 2) (841KB pdf)
- East Dunbartonshire Council (73KB pdf)
- East Lothian Council (223KB pdf)
- EHRC (63KB pdf)
- Electoral Reform Scotland (59KB pdf)
- Hamburg City Council, Germany (964KB pdf)
- Inclusion Scotland (44KB pdf)
- Indenrigs-og Sundhedsmisteriet (Danish Ministry of Health) (1921KB pdf)
- Inverclyde Council (40KB pdf)
- Lawrence Marshall (530KB pdf)
- Local Government Denmark - International Consultancy Division (1143KB pdf)
- Lund University, Sweden (788KB pdf)
- NHS Orkney (29KB pdf)
- Okonomi og indenrigsministeriet (Danish Ministry of Economic Affairs and the Interior) (837KB pdf)
- Okonomi og indenrigsministeriet (Danish Ministry of Economic Affairs and the Interior (No 2) (546KB pdf)
- Old Aberdeen City Community Council (292KB pdf)
- Planning Aid Scotland (63KB pdf)
- Police Scotland (38KB pdf)
- Region Skåne, Sweden (356KB pdf)
- Region Skåne, Sweden (No 2) (658KB pdf)
- Regional Transport Partnerships of Scotland (643KB pdf)
- SCDC (37KB pdf)
- Scottish Boundary Commission (59KB pdf)
- Scottish Childrens Services Coalition (32KB pdf)
- Scottish Community Alliance (32KB pdf)
- SOLAR (40KB pdf)
- Spokes (35KB pdf)
- Stirling Council (33KB pdf)
- Strathclyde Partnership for Transport (45KB pdf)
- Unison Scotland (35KB pdf)
ANNEX D – NOTES FROM COMMITTEE FACT-FINDING VISIT TO EUROPE

Monday 7 April 2014 (Day 1) - Hamburg, Germany

UK Embassy
- Noted that turnout is falling but still around 70% at Federal elections.
- Voting is by traditional voting methods only.
- There are only 3 city states (Hamburg, Berlin and Bremen) the remaining 13 states including amongst them some city areas. No campaign to extend city state numbers amongst the population although some politicians favour mergers.
- Rise of protest parties, esp Pirate Party although now not following through to National elections

Hamburg State Chancellery
- Issues particular to city states that other states don’t have, which are part of a wider land. For example Hamburg has very different issues to deal with then Munich, which is part of Bavaria. Hamburg has to do deals/co-op with other states around it.
- Hamburg has international offices in Brussels, Shanghai, St Petersburg, and has more influence than Germany in some EU areas eg. Ports.
- Strong Chamber of commerce – membership mandatory, very strong influence, particularly in trade. SMEs not keen on mandatory.
- Boroughs of Hamburg are “administrative entities” – each has its own “parliament” but with no right to raise tax. But as elected, the line is blurred between politics and administration.
- Boroughs funded on per capita basis by state to deliver certain services.
- Overall tax system in Germany complicated, checks and balances, richer states subsidise others, but this is accepted as a key element of the constitution, and while some tension, not as much as might think. eg Hamburg puts in €40bn, gets back €10bn
- Public engagement – seems to revolve around specific “deputations” – very well defined in Hamburg + “special planning” – (regional development equivalent).
- Strong party culture which is usual route for consulting, public hearings held in planning matters.
- Turnout –very strong party structure. Turnout declining in Germany albeit from higher base. There is no appetite for electronic voting (fear of technology failing).
- Many commercial enterprises owned and run by the city – eg water, airport, port, stake in a bank etc. As well as holding share portfolios.

Hamburg Altona Borough Council
- Hamburg seems to be a special case regarding the rest of Germany, partly because of its city status. Same true for constituent borough councils eg cannot raise any of own taxes, wholly reliant on the State.
Boroughs deliver services in healthcare, social affairs, construction and housing. However because of Hamburg’s city status the boroughs have fewer rights than others to make laws and regulations.

Budget is determined by the state Parliament.

Hamburg-Altona has a population of 244,000 making it the 4th largest of the seven Hamburg boroughs.

Turnout – looking to increase by targeting young people and EU nationals. Also linking to EU elections in an attempt to increase turnout at them (dropped from 60-70% to 25-35%). Expecting 30-40% but hoping for more!

No owned companies but others do (outwith cities) for example power generation

Public engagement – public meetings, try to engage schools etc.

But no general public consultations

No Citizens budget, although do have it elsewhere in Germany but only for special taxes which must be agreed locally.

Local politicians want more powers, but State has more of a centralising agenda.

Residents can demand referendum on any subject (except budget). Around 4000 signatures required (linked to size of District). Recent example of a petition to keep a service open falling because the costs of running it would have exceeded the proposed savings sought.

In Districts with tax raising powers central budgets have been cut harder leaving them to raise difference from owned companies etc.

Hamburg Finance Ministry

Municipal budgets insignificant compared to State eg €40m cf €18bn.

In Hamburg annual shortfall between bids and allocations is €150m.

Some aspects of budget are Ring Fenced but not all. Burghs are also given central ministry money to deliver services amounting to around €4B, this is ring fenced. Limited power to veer between budgets, up to 5% without central approval.

Can and do charge for services, id cards, street café licences and the like but are constrained to no more than cost recovery.

Have State run companies

Public engagement – don’t have to by law but planning meetings well attended, only advertising is on web.

2 wage systems – public servants and civil servants

Deputations used to be allowed from influential citizens, (Guilds) but they are now limited to assisting ministries (with policy formulation?).

Hamburg State Parliament

State Parliament is very important but Burgh are the delivery agents.

Hamburg is the same size as Berlin but with 50% of their population.

Multi member system v similar to Scottish LG

Traffic problems

Part time parliament (50%) similar to other city states

“politicians should do it for the honour” more than the pay, about doing something good for society. The achievement is helping individuals.
UK Embassy/Ambassador

- Generally a good interaction between people and politicians with lots of “town hall” meetings.
- Parties are active, lots of meeting held to take the temperature.
- Parties are active with youth organisations.
- Many associations exist and strong lobby groups with good access to politicians.
- Quite normal for politicians to flit between local and central government.
- LG reform in 2007 – municipalities got more tasks but not requisite funding

Danish Department for Local and Regional Government

In January 2004 a Commission on Administrative Structures reported on the structure of the public sector. Their main conclusion being there was a need for reform, partly based on the fact the size of the municipalities was insufficient for proper task performance and partly because the distribution of tasks was inappropriate.

Reform followed in 2007 with a reduction from 271 to 98 municipalities. These were formed as a result of voluntary mergers which had the effect of increasing size significantly from an average of 20,000 to 55,000 residents. The size by area also increased significantly with the largest increasing from 588 square kilometres to 1,489 square kilometres. The number of elected politicians dropped from 4597 to 2520. See handout here for more information.

The 14 former counties were abolished with 5 new Regions created.

There was some redistribution of tasks, responsibilities are:

Regions:
- Health care, regional development plans, specialised education and social institutions.

Municipalities
- Social welfare services, child and elderly care, primary schools, preventative health care, physical planning, environmental protection, public transport and roads, employment.

State
- Taxation and education (except primary schools).

Revenue Collection

Parliament sets fixed annual spending limits for central government, municipalities and regions. Books must balance or be in surplus.

Collection was reduced from 3 to 2 sources, the regions have no responsibilities.
- Central collection is by general taxation including income tax.
- Municipalities collect local income tax (varies between 22.7% and 27.8%) and land tax (varies between 1.6 and 3.4%) in addition each has general and
specific taxes which vary by area, in total local taxation accounts for 53% of their expenditure. General grants cover 22%, specific grants 11% with fees and charges at 13%.

Their equivalent of COSLA conducts negotiations each year to determine local spend The funding formula – based on age profile and socio/economic criteria, criteria totally revised in 2007, adjusted in 2010 and 2013. The purpose being to ensure each municipality has the fiscal potential to deliver an average level of service at a near to average local tax rate. If one municipality wants to increase another must reduce to compensate. This apparently works well in practice.

In terms of expenditure the split is:
- Social services 56%
- Education Culture and Leisure 19%
- Administration 12%
- Health 8%
- Remainder 5%

The Islands, particularly small ones are treated slightly differently, need to combine with other municipalities to deliver some more complex services.

**Danish Association of Local Municipalities**

A lot of the material here repeated what we were told at the first meeting. The slides we received are detailed and helpful. They can be accessed here.

A few additional facts:
- In 2011 nine municipalities were given the freedom to replace central regulations with their own simplified regulations. Provided they are in compliance with the constitution and no EU regulations are violated. Purpose being to improve service by focussing less on process and more on outcome. Also to allow testing of new organisational and management methods. Since starting 280 out of 400 applications have been approved for change.
- The staff of the municipalities account for 19% of the total Danish work force. Approximately 76% are female but most managers are male. 69% of municipalities' budget is on salaries.
- Significantly more detail on the “equalisation” process to balance municipalities differences are in the slides.
- The sharing of best practice across municipalities is a core task of the Association and they do this through groups of networks, generally like with like.

**Copenhagen City Council**
- Unique council in Denmark – much bigger than any other municipality, 560000 population and 45,000 employees.
- Pressures of this require extra resourcing they argue but they have a better economy than other areas and transfer resources to them (through the
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equalisation process). That position generally accepted by citizens and most politicians.
- All Committees closed to the public.
- Some politicians also sit on boards of “ALEOS”
- Council runs various municipal companies covering Metro, Property development, Utilities and Waste Management. Some generate profits and are seen as “cash cow companies” for the city.
- Public interaction limited, occasionally receive deputations on specific matters. 12 Community Councils operate, members are 50% nominated by political parties and 50% elected. However there is not a huge public interest in them.

For further information see the slides which are here.

KORA – Kurt Houlberg
KORA is an independent institute of researchers with a budget of €12 million 1/3rd funded by the Government rest from research contracts etc with a remit to scrutinise the government. Our interest was in their work on reviewing the structural reforms of 2007

The review is ongoing with preliminary findings stating:
- “The reform strengthened the public service, both in relation to professionalism and economy. Room exists however for improvements, especially where municipalities and regions cooperate about specialised tasks.”
- Increased size has a detrimental effect on citizens internal political efficacy. (Many cannot understand what is going on)
- Increased size reduces political trust (in the integrity, competence and responsiveness of elected councillors).
- Surveys indicate citizens experience a decline in service level after the reform.
- Politicians have an increased workload but more focus on political visions and objectives, less issue focussing.
- More influence for politicians locally.
- Positive effects on administration, roads and urban planning.
- Negative effects for children with special needs and social security/unemployment programs.
- Fewer and larger schools and day care institutions
- Higher level of contracting out.

Overall work slightly in terms of capacity and effectiveness for merged areas less so for those not amalgamated. Size has increased fiscal capability. The slides from the visit are available here.
Wednesday 9 April 2014 (Day 3) – Malmö, Sweden

There are 3 tiers of government in Sweden, National, County and Local. In 3 places there are also Regions, as was the case in Skåne which we visited.

**National** Government has responsibility for: Legislation, defence, police, courts, foreign policy, immigration, customs, universities, infrastructure and culture. Funding is through national taxes including income tax.

**County** level has responsibilities for food, animal protection, planning and housing, energy and climate, cultural environment, civil defence and accidents, nature conservation, environmental and health protection, agriculture, fisheries, equality and integration. In addition they have responsibility for health, public transport, regional growth and development and infrastructure except where there are Regions. Funding is through local income tax up to 10%.

**Local** Government has responsibilities for child care, schools, care of elderly, streets, water and parks, fire and local planning. Funding is through local income tax up to 20%.

**Regions** where they exist have responsibility for regional growth and development and infrastructure as well as public transport.

The purpose behind the regions was to increase democratic accountability, efficiency give a larger perspective, increase co-operation and generate more resources. Each was to have one university, and one university hospital and at least 1/2 million inhabitants, ideally between 1 and 2 million. An attempt to regionalise the whole country by 2015 has failed with only 3 created.

The slides from the visit are available here and here.

**MALMÖ**

**Malmö County Council**
- Municipalities’ power been set out since 1862 LG Act and 1863 first elections
- Regional Councils not vertically aligned (i.e. above municipality) but horizontal
- Swedish COSLA seems to work well, but so many different political makeups can be difficult
- Finance – 3 different levels of tax – local, regional national
- Municipality financed 1/3 from tax, 1/3 from government, 1/3 from fees. The government determines distribution after local discussions. National funding is meant to equalise out structural differences with 200 or so localities receiving higher amounts to compensate. Remote areas get no special measures except in relation to population density.
- Block grant arrangements similar to Scotland – very little ring-fencing, less than 5%
- Legislation is now more about OUTCOMES, not OUTPUTS, non-prescriptive
• Party structure very strong but turnout although higher than UK still for concern, so trying out different ways to campaign, and different places to vote, eg shopping malls although no online yet
• Malmo panel – a random citizens focus group is convened frequently to inform local policy.
• Citizens can appeal local decisions (within 3 weeks) and these are fast tracked into the courts for decisions. Most appeals are politically motivated.
• No restriction on level of tax, and Swedish Government don’t step in, even on a race to the bottom.
• Some joint ventures with other municipalities and with regions eg housing, waste.
• But no cross subsidy allowed, must balance their books. More collaborative working with neighbours being seen. Not all boards of such companies are elected others are nominees by party. Not permitted to run companies in competition with the private sector.
• Have a benchmarking system which is “centrally” run by SALA.

**Waste Plant visit**
The waste plant is jointly owned by 14 local municipalities who own share by their size. It has 16 recycling centres as well as treatment plants and processes 50% household waste. Also imports waste for processing, including from the UK.

Since 1985, waste has increased 3 fold, energy production 5 fold and emissions are down by 99%.

All profits are invested internally. All the board are appointed from local politicians (by law) nominated by municipalities.
ANNEX E – COMMUNITY EVENT IN STORNOWAY, NAN EILEAN SIAR

Friday 2 May 2014 - 10.45 am, Offices of Comhairle nan Eilean Siar

In attendance

Kevin Stewart MSP
Emily Collier
Mark McDonald MSP
Anne McTaggart MSP
Huw Francis - Storas Uibhist
Cameron Buchanan MSP
Anne MacLeod - Highlands and Islands Theatre Network
John Wilson MSP
Alasdair Allan MSP
Nicola Cowsill, Manager, Western Isles Community Care Forum
Anne Sobey, Chair, Co-Cheangal Innse Gall
Donald Maclver
Stuart Macmillan MSP
Alex Murray

Third sector and community planning

Discussion on the relationship between the 3rd sector and community planning partnerships, the level of engagement and involvement in decision making. Issues highlighted included:

- the influence of non-budget-holding voluntary bodies as compared with bigger partners, e.g. health boards
- issues around handling of the change fund
- high levels of volunteering in the islands - twice national average
- over-reliance on volunteer effort, sustainability of this effort and volunteer fatigue
- short-term contracts, budget cuts or stagnant or inconsistent budgets, and other funding issues - not unique to island
- impact of welfare reforms on some service users, e.g. those in receipt of self-directed support
- extent to which power and budget decisions can truly be devolved down to community level and whether this would be more effective in responding to local needs
- geographical location of power and advantages of moving some Comhairle departments out of Stornoway to other parts of W.I.
- top-down decision making by CnnaES - extent to which people feel involved in Our Islands Our Future
- in general third sector well integrated at all levels of CPP – SOA, outcome groups etc
- but third sector very disparate, very small organisations, so very hard to get a united voice
- volunteers – are volunteers exploited? level of work extremely high for some.
issues with passing on % cut to council budget direct as same % cut to the third sector – is this the most efficient use of resources?

Caring and other services

- ageing communities and isolation of elderly or vulnerable people
- need for volunteer effort and local authority support to be flexible and innovative
- self-directed support agenda - how realistic is it to implement in the islands
- uncertainty about integration of health and social care
- willingness of service users to engage with larger organisations v. more familiar local service providers

Community energy generation

- possibility of income for the first time from communities capable of generating energy, but needs govt commitment to interconnector - an issue that Economy, Energy and Tourism Committee is looking at
- comparisons with Orkney and Shetland
- difficulties of dealing with energy companies

Transport & infrastructure

- high cost of travel
- inter-island air travel, lack of direct flight routes, routing via mainland, costs of landing rights, involvement of HITRANS and comparison with ZET-TRANS
- difficulty in dealing with CalMac re appropriate routes and timetables
- huge amount of time to travel on the islands, eg Barra to Ness same distance as Edinburgh-Aberdeen but same time as to travel Aberdeen to Newcastle

Recognising the unique characteristics of islands

- islands face specific challenges, and they're all different
- regional inequality needs to be actively addressed
- vulnerability of islands economically, demographically and in terms of poverty and fuel poverty

Twitter comments provoked discussion on the following subjects:

Arts & culture

- extent to which more powers for Western Isles would affect culture and arts
- integration of music, culture into the education system
- opportunities for creative professionals
- councils' ability/willingness to apply for arts funding from other sources, e.g. European funds
Gaelic

- Gaelic’s continued decline in Western Isles and need for normalisation outside of pigeonholes for arts/culture/media/education
- duties on public bodies to provide services in Gaelic
- lack of qualified Gaelic teachers and levels of take-up of Gaelic-medium education in islands and in mainland cities, and models of Gaelic-medium education and Gaelic units
- negative press about public spending on Gaelic
- comparisons with Welsh language embedded in Welsh society and culture
- success of BBC ALBA in normalising Gaelic through sports coverage, Trad Music Awards, etc - and particular praise for political coverage by Eorpa - but still lack of programme development in drama and other genres
- improved possibilities for Gaelic education, etc if there were greater local powers for CnanES
- mì-run mòr nan Gall (the great spite of the Lowlanders) and persistent animosity towards or misunderstanding of islands culture
- leadership at local level with regard to Gaelic plans and implementation of Gaelic Language (Scotland) Act 2004(?)

Higher education in the islands

- UHI has improved the situation, tertiary level education now available at Lews Castle

Communications technology

- technology helps but broadband provision is shocking
- huge investment in fibre-optic required for education and for tele-medicine
- despite substantial investment to date (£120m), upgrade of exchanges and copper lines to individual properties still required - the last 100 yards is often the problem
- comparison with Sweden, where technology has allowed communications systems to be installed to help elderly people connect with carers
- risks to lone workers in hazardous occupations and links and need for communication support in case of emergency

Convener emphasised the Committee’s desire to continue dialogue and invited communities to submit further views and suggestions via the clerks.
ANNEX F – LOCAL GOVERNMENT FINANCING IN SCOTLAND

The most recent year for which full financial statistics are available is 2012-13.\textsuperscript{81} In 2012-13 total net revenue expenditure\textsuperscript{82} on local government services was £11.6 billion. Spend on education (40%) and social work (26%) are the two highest spending service areas, as shown in table 1 below and figure 1 below.

Table 1: Local authority net revenue expenditure by service, 2012-13

<table>
<thead>
<tr>
<th>Net revenue expenditure</th>
<th>£m</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>4,595</td>
<td>39.7%</td>
</tr>
<tr>
<td>Social Work</td>
<td>2,962</td>
<td>25.6%</td>
</tr>
<tr>
<td>Police</td>
<td>1,021</td>
<td>8.8%</td>
</tr>
<tr>
<td>Fire</td>
<td>297</td>
<td>2.6%</td>
</tr>
<tr>
<td>Cultural &amp; Related Services</td>
<td>614</td>
<td>5.3%</td>
</tr>
<tr>
<td>Environmental Services</td>
<td>656</td>
<td>5.7%</td>
</tr>
<tr>
<td>Roads &amp; Transport</td>
<td>487</td>
<td>4.2%</td>
</tr>
<tr>
<td>Central Services</td>
<td>362</td>
<td>3.1%</td>
</tr>
<tr>
<td>Planning &amp; Economic Development</td>
<td>283</td>
<td>2.4%</td>
</tr>
<tr>
<td>Non-HRA Housing</td>
<td>316</td>
<td>2.7%</td>
</tr>
<tr>
<td>Trading Services</td>
<td>-4</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total General Fund Expenditure</strong></td>
<td><strong>11,588</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

\textsuperscript{81} 2012-13 was the last financial year for which local authorities were responsible for (and had the requisite funding for) police and fire functions. Therefore, expenditure in years following 2012-13 will be substantially lower.

\textsuperscript{82} Gross revenue expenditure is the total expenditure on Local Authority services within a financial year less inter-authority and inter-account transfers. Net revenue expenditure is revenue expenditure to be financed from General Revenue Funding, non-domestic rates, council tax and balances. It is therefore gross revenue expenditure less other government grants, sales, fees and charges, grants to third parties funded by General Capital Grant, and other grants, reimbursements and contributions.
Revenue income was £17.95 billion in 2012-13. General revenue funding (i.e. grant from the Scottish Government) made up 43% of total revenue income, with council tax around 11% and Non-Domestic Rates at 13%. Sales, rents, fees and charges total around 13%, with “other income” at 18%, as shown in table 2 and figure 2 below.
### Table 2: Local authority revenue income, 2012-13

<table>
<thead>
<tr>
<th>Revenue income</th>
<th>£m</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue Funding</td>
<td>7,782</td>
<td>43.4%</td>
</tr>
<tr>
<td>Council Tax</td>
<td>1,947</td>
<td>10.8%</td>
</tr>
<tr>
<td>Council Tax Benefit Subsidy</td>
<td>371</td>
<td>2.1%</td>
</tr>
<tr>
<td>Non Domestic Rates</td>
<td>2,263</td>
<td>12.6%</td>
</tr>
<tr>
<td>Sales, Rents, Fees &amp; Charges</td>
<td>2,342</td>
<td>13.0%</td>
</tr>
<tr>
<td>Other Income</td>
<td>3,244</td>
<td>18.1%</td>
</tr>
<tr>
<td><strong>Total revenue income</strong></td>
<td>17,949</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Other Income includes Ring-fenced revenue grants; Other Central Government Grants (excl GRG); All other grants, reimbursements and contributions; Contributions from Health Authorities; Interest, Investment Income and Expected Gains/Losses on IAS 19; Arrears of Local Tax Collection;


**Figure 2: Local authority revenue income, 2012-13**
ANNEX G – COMPARISON OF LOCAL AUTHORITIES STRUCTURES IN VARIOUS JURISDICTIONS

The following table summarises the varying constitutional and structural differences between the system of local government in Scotland and five other neighbouring jurisdictions.

<table>
<thead>
<tr>
<th>Country</th>
<th>Constitutional protection for LG?</th>
<th>Structure and number of LAs/municipalities</th>
<th>Population per council</th>
<th>Other levels of elected local government?</th>
<th>Election turnout LG elections</th>
<th>Functions of LAs/Municipalities include</th>
<th>Fiscal powers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scotland</td>
<td>No (no written constitution)</td>
<td>32 unitary authorities</td>
<td>166,050</td>
<td>Community councils.</td>
<td>40% (2012)</td>
<td>The main services they provide, in addition to their regulatory and licensing functions, are: Education, Social Work, Roads and transport, Economic Development, Housing and the Built Environment, The Environment, Libraries, Waste management, Arts, Culture and Sport</td>
<td>Funded by central government grant/council tax and own fees and charges</td>
</tr>
</tbody>
</table>
| England  | No (no written constitution)     | Different structures in different parts of country – some have two tiers: County Councils and district, borough and city councils. Some have unitary authorities – mostly metropolitan areas, London has boroughs. In total 353 principal authorities. | 151,540                 | Parish, community and town councils       | 31% (2012)                  | County – education, transport, planning fire and public safety, social care, libraries, waste management, trading standards  
            District/borough/city – rubbish collection, recycling, Council Tax collections, housing, planning applications | Funded by central government grant/council tax and own fees and charges |
<table>
<thead>
<tr>
<th>Country</th>
<th>Constitutional protection for LG?</th>
<th>Structure and number of LAs/municipalities</th>
<th>Population per council</th>
<th>Other levels of elected local government?</th>
<th>Election turnout LG elections</th>
<th>Functions of LAs/Municipalities include</th>
<th>Fiscal powers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wales</td>
<td>No (no written constitution)</td>
<td>22 unitary authorities</td>
<td>140,909</td>
<td>Community and town councils</td>
<td>38% (2012)</td>
<td>Education, trading standards; libraries, leisure and tourism; environmental health, refuse and recycling; transport and highways; housing; social services.</td>
<td>Funded by central government grant/council tax and own fees and charges</td>
</tr>
<tr>
<td>Germany</td>
<td>Yes - The federal constitution states local government have the right to deal with all matters of relevance for the local community in their own responsibility.</td>
<td>16 lander (states), below which there are generally counties and municipalities, totalling 11,252, organisation however varies across Germany.</td>
<td>7,829</td>
<td>Municipalities are the lowest level of local government</td>
<td>60% (2008)</td>
<td><strong>Lander</strong> have wide ranging law-making powers – can legislate in any area not specifically covered by federal law, eg Land have exclusive powers of education, culture, the police, joint power on many other domestic issues. Bundesrat (parliament of Lander) must agree all legislation. <strong>Counties and municipalities</strong> generally carry out the administrative functions of many areas of public service, according to the federal and land legislation.</td>
<td>Lander have wide ranging fiscal powers, municipalities have some limited taxation powers, although most of their resources come from grant from the Lander.</td>
</tr>
<tr>
<td>Country</td>
<td>Constitutional protection for LG?</td>
<td>Structure and number of LAs/municipalities</td>
<td>Population per council</td>
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<td>--------------</td>
</tr>
</tbody>
</table>
| Denmark | Yes - Article 82 of the constitution states that municipalities have a right to manage their affairs autonomously, but it adds that this is to take place under the supervision of the state. | Five regions and 98 municipalities | 57,170 | Municipalities are the lowest level of local government. | 72% (2013) | Regions are responsible for functions requiring a relative large population base such as hospitals. 
Municipalities – wide ranging responsibilities, including welfare services, childcare, social services, education, culture. | Municipalities are funded from three sources – taxes, central government grants and fees and charges, and can set own local tax rate. 
Regions are mainly funded by central government grant, but also receive small, specific grant income from the municipalities, and fees and charges. |
| Sweden  | Yes - Since 1974 the right to local self-government has been set out in the constitution. | 21 counties and 290 municipalities | 32,951 | Municipalities are the lowest level of local government. | 82% (2010 tied to national election) | Municipalities – wide ranging responsibilities, including education, childcare, social care (including care for the elderly and welfare assistance), local planning, waste management, water and sewage, recreational activities, housing and energy. 
Counties main responsibility is healthcare. | The three main revenue sources for the municipalities and are local tax revenues, generated entirely from the local income tax and the local income tax base, intergovernmental grants, and fees. For both, the local income tax makes up the majority of funding. |
Speaking on the constitutional position of the Åland Islands, Susanne Eriksson stated—

“I understand that the committee has the Act on the Autonomy of Åland. I will start with a short introduction to the act because it is the foundation of the autonomy of Åland. The act is the most complicated law in Finland because it is passed by the Parliament in Helsinki and, in addition, there is the need for the consent of the Åland Parliament. The act is dividing power between Åland and Finland; it is a safe system but it is not very easy to amend, which means that the division of power can never be changed without an agreement between the two Parliaments.

The division of power is described in the Act on the Autonomy of Åland, in two sections, more or less. In section 18, we find all the fields of competence of Åland. That section sets out what belongs to Åland concerning legislative power and administration of the areas concerned. It is more or less the case that Finland has no say on those areas.

Everything that belongs to the internal affairs of the Åland Islands belongs to the Parliament of Åland. That includes education, social and health care, culture, environmental protection, traffic, the postal service, radio, television and matters concerning municipalities. The rules concerning the 16 municipalities on Åland belong to the Åland Parliament, which has the power to decide how many municipalities there should be on Åland and what power should be transferred to them. We have quite a lot of municipalities—16—compared with Sweden and the rest of Finland but, on the other hand, the municipalities on the Åland Islands, according to our laws, do not have exactly the same power as the municipalities on the mainland. On Åland, healthcare and education for pupils between 16 and 18 belongs to the Government of Åland, rather than to the municipalities. The laws on municipality-level taxation also belong to our Parliament. That is the only taxation that we still have. You will hear more about that later.

In section 27 of the Act on the Autonomy of Åland, we find all the competences that belong to the Parliament of Finland. We can more or less say that they are the rest—the powers that I did not mention when listing those of Åland. Competence for foreign affairs also belongs to Finland. That does not mean, however, that we have no influence concerning international treaties. When Finland goes into an international treaty that has an effect on our field of competence, there is a need to have the consent of the Åland Parliament for that treaty also to be valid on the Åland Islands. That happens about 20 to 30 times a year. The President of Finland, through the Governor, who has a special position in our autonomy system as a person in between the state and the Åland authorities, brings international treaties over to the Parliament, and the Parliament gives its consent—more or less as a rubber stamp—easily and with no complications.”

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