Local Government and Communities Committee
Call for Views on the Long-Term Financial Sustainability of Local Government
Submission from the Common Weal

Common Weal (www.commonweal.scot) is a Scottish ‘think and do tank’ which promotes thinking, practice and campaigning on social and economic equality, participative democracy, environmental sustainability, wellbeing, quality of life, peace, justice and culture and the arts.

Intro

The following is a response to the Call for Views announced by The Scottish Parliament’s Local Government and Communities Committee. Common Weal has a long track record of supporting local democracy in Scotland and has published many papers and responses on this topic – all of which can be found in the policy library of our website. In particular, we would draw the Committee’s attention to our proposal to overhaul Scottish local democracy to bring it into line with European norms by replacing the current Community Council system with a system of Development Councils and Town Managers. This paper, “Development Councils: A Proposal for a New System of Local Democracy in Scotland” can be found in our policy library1:

Our responses to the questions suggested by the Committee follow.

1. What are the big medium-term (5-year) and longer-term (10+ year) financial challenges for Scottish local authorities?

The legacy of PFI and NPD will be a particular challenge in the medium and long term. The recent GERS report found that annual payments for such projects are now almost £1.3 billion per year across Scotland and this is projected to increase annually for the next decade. In the long term, even after projects have been paid off many will not result in assets coming under public ownership – probably necessitating refinancing of leases or replacement of assets. Of those that will become public assets at the end of the finance term, low build quality and other risk factors will almost certainly mean that these assets will need to be replaced sooner rather than later as they have been built with profit in mind rather than longevity.

2. How effectively are councils addressing these challenges? Do councils currently have all the powers they need to do so?

Scotland’s “local” authorities are relatively powerful but no-where near local enough. Scotland has the least local tier of governance in Europe and cannot effectively meet challenges which require more localism, not less.

The entire local authority system should be overhauled with a new local tier of Development Councils free to set policy in any area currently within the remit of local authorities but not specifically reserved to them under this new model. They should be free to pull down these

powers to use “as and when” needed and should have an autonomous budget sufficient to meet those demands. Existing bureaucracies would be retained to avoid the costs of major restructuring but would take instruction from the local authority or the Development Council as required. More information can be read in Common Weal's policy paper Development Councils: A Proposal for a New System of Local Democracy in Scotland.

3. What practical steps should councils take, and what good practice should councils adopt, to plan for the medium and long-term and to anticipate financial risks? If you are a council answering this question, it would be helpful if you could clarify if you practice medium and long-term financial planning and outline briefly what form this takes.

Local Authorities need to diversify and expand their revenue base. In practice, this will require abolishing the Council Tax and replacing it with a Property Tax covering both buildings and land. Common Weal estimates that an annual tax of 0.63% of the value of buildings would be a cost-neutral alternative to the Council Tax whilst being fairer, easier to understand and easier to calculate. This tax would bring in around £220 million per year in additional revenue from currently untaxed land. Longer term, schemes like provision of social housing and locally-owned energy (funded by the Scottish National Investment Bank) could be a source of stable direct income for local authorities and Development Councils.

4. What alternative models of planning for, and delivering, council services (for example, joint working initiatives) could help local authorities make efficiency savings and/or deliver better services?

20 years of “cost saving exercises”, “joint working initiatives” and “shared services” have not worked nearly as well as advertised and most of the gains made by them have already been achieved. These exercises by-and-large serve to further centralise power and can result in power leaving the accountability of democracy altogether (such as has been the case with PFI). Scotland needs more local democracy and more local control, not less of it. And it needs more local power over services to ensure that they are tailored for what local communities actually need rather than what best meets a ‘joint council efficiency plan’. By allowing local communities to deliver services to themselves would realise more efficient, more effective and more productive outcomes than one central authority trying to run everything themselves. No other country in Europe runs its local democracy as non-locally as Scotland.

5. Are there any other issues relating to the long-term sustainability of Scottish local government which you wish to bring to the attention of the Committee?

Local government in Scotland is chronically and acutely underfunded and there are no further service adjustments or efficiency savings which can tackle that underfunding. Scotland must decide if we want a first rate local democracy and local services or we don’t.
Interlocking Parts; Working Together

Common Weal now has a track record of developing policies around the creation of national companies and public bodies designed to fill gaps in Scotland’s current provision and to expand capacity for things that we cannot do just now. Policies such as the Scottish National Investment Bank (SNIB), Scottish National Infrastructure Company (SNIC), and the Scottish Statistics Agency (SSA) have all been passed overwhelmingly or unanimously at previous SNP conferences. Each one of these bodies – plus the NEC and SEDA – will perform vital roles in Scottish development but the real power of them comes when they are all established and working together.

The SSA can gather data on heat decarbonisation and fuel poverty, SEDA will use those statistics to identify areas of energy need and develop a plan for eliminating it. The SNIB will then develop a financial solution to pay for the project in a long term, patient and sustainably affordable way. From there the SNIC will be employed by the NEC to deliver the project through local private contractors (with the final energy infrastructure being owned by the NEC).

It may be possible to deliver vital energy projects without one or more of these bodies but each one missing from the whole will cumulatively impact the effectiveness. Without SNIB, the Scottish Government may need to use expensive schemes like PFI to fund the projects. Without the NEC, the Scottish Government would be continuing to subsidise the private market instead of developing its own assets. Without SEDA, we will not be able to effectively co-ordinate national strategy across multiple local authorities and any projects which result will be more of the same small scale and piecemeal operations that take place at present. Scotland cannot effectively decarbonise its economy and eliminate fuel poverty by doing the same things as it has been doing up till now.

Further Reading From Common Weal’s Policy Library

Powering Our Ambitions, February 2019
Just Warmth, May 2019
Carbon-Free, Poverty Free, June 2019
An Investment-Led Economic Development Framework For An Independent Scotland, April, 2019
Incentives and Opportunities Signalled By Transmission Charges in Scotland, September 2018
Renewables 2030, February 2018
Building Scotland’s Future Now, February 2017
Blueprint for a Scottish National Investment Bank, October 2016

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