

Renewing Local Government

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About Reform Scotland

Reform Scotland is an independent, non-party think tank that aims to set out a better way to deliver increased economic prosperity and more effective public services based on the traditional Scottish principles of limited government, diversity and personal responsibility.

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Contents:

i.	Executive summary	1
1.	Introduction	6
2.	Proposed local government structure	9
2.1	What the new councils could be	9
2.2	What the new expenditure powers of the new councils should be	12
2.3	What the finance powers of the new councils should be	15
2.4	Diverse structure: Mayors and area committees	20
3.	Community councils	23
3.1	Community councils in Scotland	23
3.2	Survey of community councils	23
3.3	Future of community councils	28
4.	Other local government issues	29
4.1	Quangos	29
4.2	Planning	30
5.	Conclusion	33
6.	References	35

i. Executive Summary

Objective

Devolution was never supposed to stop at Holyrood, but it has. This is why Reform Scotland's reports on a range of issues from healthcare to policing and finance to planning have argued that more power needs to be devolved down to our local authorities and beyond to make those services more responsive to local needs and priorities as well as making service delivery more accountable and transparent. One of the issues constantly thrown back at us is that this can't be done as we have too many local authorities. For example, when the proposals for a single police force were unveiled, Reform Scotland argued that representatives from each local authority should sit on the new Scottish Policing Authority. Although politicians acknowledged that policing is largely a local function, they appeared to be happy to remove local government's role simply because you couldn't have a committee of 32. This argument against devolving power to our councils because 32 authorities is too many is looking at the issue the wrong way round. If politicians believe that the structure of local government in Scotland is wrong then they should say so and address it, rather than removing local government's role in the delivery of public services.

Reform Scotland does not necessarily believe that 32 councils is too many for Scotland. Many other European countries have far more, and smaller, municipalities or councils than Scotland and often these are far less reliant on central government. However, it is clear from the feedback that we have received that the political climate in Scotland believes 32 is too many and, therefore, will not consider devolving greater powers to our councils.

To address this, the purpose of this report is to look at whether we could change the current structure of local government in Scotland, creating fewer councils, but making those councils far stronger with more financial powers, as well as looking at ways in which more power could be devolved to community councils.

Findings

- Although an official turnout figure for the 2012 local elections is yet to be published, the First Minister suggested it was 38 per cent and commented "that is not an acceptable turnout in a democratic ballot".
- A survey of community councils carried out by Reform Scotland found:
 - 80 per cent of respondents said that their community councils struggled to attract members;
 - 57 per cent of respondents believe that increasing the responsibilities of community councils would help increase participation, though 66 per cent didn't agree that community councils should be given financial powers;
 - 33 per cent of respondents felt the views of their community council were taken into account by their local authority compared to 44 per cent who didn't.

Policy Recommendations

• New local government structure

Reform Scotland believes that Scotland's 32 local authorities and 14 health boards should be replaced by a smaller number of local authorities integrating the powers of all these bodies. We have recommended the number of councils under this new structure should be 19, based on existing council and health board boundaries. However, we believe politicians and the public need to engage in the debate about what we want the future structure of local government in Scotland to look like and, as such, believe our recommendation is simply the first step in stimulating that debate. We would therefore recommend that the Local Government Boundary Commission carries out a review into the boundaries of local authorities in Scotland.

The new local authorities should have greater fiscal powers to help ensure that they are responsible for a greater proportion of their own expenditure. Given the current limitations of the fiscal powers of the Scottish Parliament, at present this could be done only by giving councils full power over council tax and non-domestic rates, which would also require legislation to enable the councils to have control over issues such as the tax base, the bands, discounts etc. Further powers could be devolved once they are first devolved to Holyrood.

- **Strengthen community councils**

Local authorities should consider devolving greater responsibilities to community councils in order to better involve the local community and encourage participation within community councils. While some community councils are viewed as effective, others are not and participation is low. Figures from BBC Scotland research indicate that most elections to community councils are uncontested, raising important questions over their democratic mandate. Just as is the case with local government, if a community council is seen to have no meaningful role in a community it is very difficult to encourage volunteers to become interested and increasing responsibilities should help address this issue. However, there should not be a single model for community councils across Scotland, rather local communities in conjunction with their local authority should develop a system that best suits their area and circumstance.

- **Diverse structure of local government**

Reform Scotland favours a diverse structure of local government in Scotland, reflecting the diverse circumstances of the different parts of Scotland. Two options which we feel should be considered by the new councils would be an enhanced area committee system where more decisions are taken for the local area by the councillors from that area and directly-elected mayors, or provosts as they could be known in Scotland. Reform Scotland does not believe that either of these options should be forced on a local authority from the centre, but should be options that they could introduce should they wish. To enable this, Reform Scotland would recommend the introduction of legislation which would allow local authority areas to hold referendums on the introduction of a directly-elected mayor where 5 per cent of the population signs a petition or a council resolution is passed. Mayors would help address the problems of local government's lack of visibility and, therefore, accountability. As they are elected by the public across their council area, rather than just one council ward, they have a stronger democratic mandate and a much greater incentive to focus on responding to the concerns of their electorate.

- **Quangos**

Reform Scotland believes that the increased use of quasi-governmental bodies has eroded democracy with too much political power exercised by quangos operating in a 'no man's land' where they are neither fully democratically accountable nor fully independent of government.

Although previous and current administrations have pledged to cut the number of quangos, these approaches have been piecemeal and lacking in any approach of principle. As a result, they have ultimately led to new quangos continuing to be created. No political party has come up with a strategy that achieves the kind of drastic reduction needed to restore transparency and accountability to the political process.

We believe that this pattern has to change and as a result all quangos, apart from tribunals such as the Children's Panel system, should cease to exist altogether. Instead, they should either have their functions brought back 'in-house' to government or be replaced by fully-autonomous, independent bodies which could enter into an open and transparent contractual relationship with government, which would provide the necessary funding. This shift should lead to greater scrutiny of the functions being performed. Importantly, there should also be a presumption in favour of functions being performed by local authorities, where appropriate, to ensure accountability to local communities.

Specifically Reform Scotland believes that there is merit in passing a wide range of the functions currently carried out by Scottish Enterprise to local authorities.

- **Planning**

If local authorities had a greater responsibility for raising more of their own revenue it would lead to a situation where a new development, whether commercial or residential, would bring extra revenue to local authorities helping to outweigh the cost to councils of providing additional public services. Whilst different local authorities would continue to adopt different attitudes towards development, there would be a direct trade off between enabling development and increasing financial gains to the council through an expanded tax base on the one

hand and rejecting development and having to raise money from elsewhere on the other. This would require councils to try and find the right balance between development and conservation for their local communities.

Reform Scotland believes we need to give local communities and people much greater control over how their parts of Scotland are developed. This is the best way to ensure that we meet our future housing needs, allow the economy to develop in a sustainable way and preserve the environment of Scotland. Therefore, Reform Scotland also believes there is merit in decisions being devolved further beyond the local authority areas, specifically with regard to local planning matters, perhaps to area committees or strengthened community councils, as local planning decisions should be taken at the level of the local community to ensure that decisions are taken as close to the affected community as possible. This builds on the greater local engagement and involvement in the planning system encouraged by the 2006 Planning Act and, combined with an appropriate system of finance, this would help to achieve the right balance between local economic development and the preservation of the local environment.

Reform Scotland would also recommend that councils should not be forced to work together to produce Strategic Development Plans which cover the four main city regions. While it might make sense for councils to work together, this should be a matter for them to decide.

1. Introduction

Thursday 3rd May 2012 represented the first post-devolution election to our councils to be held on a separate day from the Scottish Parliament elections and is the second election to be held under the STV voting system. The turnout was estimated at around 38 per cent by Alex Salmond at First Minister's questions on 10 May, significantly lower than that last election in 2007, and also the last time the elections were held on their own in 1995.

The following tables illustrate turnout at elections held in Scotland over the past 30 years.¹

Table 1: Elections to Westminster

Year	Turnout (%)
2010	63.8
2005	60.8
2001	58.1
1997	71.3
1992	75.5
1987	75.1

Table 2: Elections to the European Parliament

Year	Turnout (%)
2009	28.5
2004	30.9
1999	24.8
1994	37.9
1989	40.7
1984	33

¹ Denver, D. "The 1994 European Elections in Scotland", Scottish Affairs, 1994; http://www.scottish.parliament.uk/Electionresults/2011%20election/Graph_turnout_Scottish_elections_since_1974.pdf; Scottish government, "Scottish Elections 2007: Scottish Government Response to the Independent Review of The Scottish Parliamentary and Local Government Elections 3 May 2007", 2008; http://news.bbc.co.uk/1/shared/bsp/hi/elections/euro/09/html/ukregion_10.stm; http://news.bbc.co.uk/1/shared/bsp/hi/vote2004/euro_uk/html/10.stm; www.Scottishpolitics.org

Table 2: Elections to Holyrood

Year	Turnout (%)
2011	50.4
2007	51.7
2003	49.4
1999	58.2

Table 3: Elections to local authorities

Year	Turnout (%)
2012	38 estimate
2007	52.8
2003	49.8
1999	58
1995	44.9
1994 (Region)	45.6
1992 (District)	41.4
1990 (Region)	45.9
1988 (District)	45.5
1986 (Region)	45.6
1984 (District)	44.4
1982 (Region)	44.7

Whilst turnout isn't purely based on the powers of the particular tier of government and is also influenced by other factors from the weather to cultural attitudes to voting and the likelihood of a change in power, there is no doubt the more important, visible and accountable a tier of government, the more interest the electorate seem to take.

According to an FOI inquiry lodged by Reform Scotland, in 2009/10 £14.8 billion was spent by our local authorities while £19.1 billion was spent by the Scottish Government. Yet, while most can name the First Minister and perhaps their MSP, many may not have known who the leader of their council was, or one of the three (or four) councillors who represent them.

Prior to devolution most Scots had an understanding of what Westminster did and what their council did. The advent of the Scottish Parliament confused this relationship, not least because over the past thirteen years Holyrood has sucked up powers from councils. For example, the Scottish government has frozen council tax and is removing policing from local government control.

Reform Scotland believes that power should be devolved down as far as possible to reflect the different priorities across the country. The issues facing

Glasgow are very different to those facing the Highlands. Therefore, giving our councils the tools necessary to address these issues is vital.

Now that the local elections are behind us, the purpose of this report is to set out Reform Scotland's vision of the future of local government in Scotland. The elephant in the room seems to be the number of local authorities. While Reform Scotland has often pointed out that many European countries have a far larger number of municipalities or councils, which are often more localised, there appears to be an attitude amongst some in Scotland that 32 local authorities is too many and while the present number remains there is a reluctance to pass further powers to councils. More worryingly, there appears to be an appetite to reform public services by bringing more power to the centre.

Therefore, rather than having the complex different layers and tiers of public bodies in Scotland Reform Scotland is proposing we reduce the number of local authorities in Scotland, along with scrapping other public service organisations such as health boards and hand those powers over to local government. In essence, Reform Scotland proposes shifting from 32 local authorities, 14 health boards and currently 8 police boards to a single tier of 19 local authorities. These 19 councils would be responsible for far more than our current councils and would also have greater financial powers, enabling policies to be put in place that take account of local needs and circumstances.

Reform Scotland believes that these additional powers could be passed down to the 32 existing local authorities and we share the belief, expressed by Lesley Riddoch and the Jimmy Reid Foundation, that power should be exercised closer to our communities, and that power is far more remote in Scotland than in most other European countries, as we demonstrated in our 2008 report 'Local Power'. However we believe that in order to re-connect councils with communities, the first step is to devolve extensive powers, and in order to make this acceptable to many, this has to mean fewer local authorities.

Strengthening local government and giving it more power would also present an opportunity to reinvigorate interest in local democracy and, in turn, rejuvenate community councils.

2. Proposed local government structure

2.1 What the new councils could be

Tables 4 and 5 below outline the current composition of Scotland's existing local authorities and Reform Scotland's suggestion for the creation of 19 new local authorities in Scotland, taking into account existing boundaries of both councils and health boards. This is what Reform Scotland is proposing as a starting point. For simplicity, we have kept existing council boundaries intact. While we appreciate there is still a wide variation in the size of these councils, this largely reflects issues concerning more rural areas of Scotland. The biggest change in the responsibilities of the councils that we are proposing is the passing of the delivery of health services to these new local authorities. Smaller and more rural areas of Scotland, such as Orkney or the Scottish Borders, are already served by their own health board and we felt that there was no need to change this.

However, Reform Scotland stresses that the list of councils below is not necessarily the best structure of local authorities, but it is simply a starting point for a debate which must be had. The public and politicians need to engage with this debate about how they envisage their local authority and ultimately it must be for the Local Government Boundary Commission to fully examine the issue and make final recommendations to the Scottish Parliament.

Table 4: Current composition of local authorities in Scotland

Council	Population 2010 est ²	Geography sq km ³	Health Board Area	Council tax income inc council tax benefit £000 ⁴	NDR non re-distributed income £000 ⁵
Aberdeen City	217,120	186	Grampian	107,527	155,672
Aberdeenshire	245,780	6,313	Grampian	118,481	66,764
Angus	110,570	2,182	Tayside	45,632	22,711
Argyll & Bute	89,200	6,909	Highland	46,311	25,620
Clackmannanshire	50,630	159	Forth Valley	21,518	10,269
Dumfries & Galloway	148,190	6,426	Dumfries & Galloway	62,544	37,959
Dundee City	144,290	60	Tayside	59,039	58,825
East Ayrshire	120,240	1,262	Ayrshire & Arran	48,039	25,426
East Dunbartonshire	104,580	175	Greater Glasgow & Clyde	52,787	20,137
East Lothian	97,500	679	Lothian	46,045	19,677
East Renfrewshire	89,540	174	Greater Glasgow & Clyde	44,533	1,425
Edinburgh, City of	486,120	264	Lothian	227,539	288,506
Eilean Siar	26,190	3,071	Eilean Siar	10,123	5,707
Falkirk	153,280	297	Forth Valley	59,643	60,476
Fife	365,020	1,325	Fife	151,768	134,426
Glasgow City	592,820	175	Greater Glasgow & Clyde	253,782	297,399
Highland	221,630	25,659	Highland	108,598	93,300
Inverclyde	79,770	160	Greater Glasgow & Clyde	32,634	17,413
Midlothian	81,140	354	Lothian	37,273	22,526
Moray	87,720	2,238	Grampian	37,790	25,929
North Ayrshire	135,180	885	Ayrshire & Arran	57,750	30,918
North Lanarkshire	326,360	470	Lanarkshire	123,608	94,425
Orkney Islands	20,110	990	Orkney Islands	7,859	7,643
Perth & Kinross	147,780	5,286	Tayside	71,256	44,342
Renfrewshire	170,250	261	Greater Glasgow & Clyde	75,809	82,866
Scottish Borders	112,870	4,732	Borders	50,134	22,012
Shetland Islands	22,400	1,466	Shetland Islands	8,629	14,201
South Ayrshire	111,440	1,222	Ayrshire & Arran	53,333	34,235
South Lanarkshire	311,880	1,772	Lanarkshire	127,941	235,013
Stirling	89,850	2,187	Forth Valley	43,773	35,984
West Dunbartonshire	90,570	159	Greater Glasgow & Clyde	39,155	64,774
West Lothian	172,080	427	Lothian	67,475	69,806

² General Register Office for Scotland³ <http://www.scotland.gov.uk/Publications/2009/03/24121531/1>⁴ Scottish Government, "Scottish Local Government Finance Statistics 2010/11, February 2012"⁵ Scottish Government, "Scottish Local Government Finance Statistics 2010/11, February 2012"

Table 5: Reform Scotland's starting suggestion for new, stronger local authorities

New council area	Which existing councils included	Population 2010 est ³	Geography sq km	Council tax income £000	NDR non re-distributed income £000
Argyll & Bute	Argyll & Bute	89,200	6,909	46,311	25,620
Ayrshire	East Ayrshire	366,860	3,369	159,122	90,579
	North Ayrshire				
	South Ayrshire				
Dumfries & Galloway	Dumfries & Galloway	148,190	6,426	62,544	37,959
Dunbartonshire	East Dunbartonshire	195,150	334	91,942	84,911
	West Dunbartonshire				
East & Mid Lothian	East Lothian	178,640	1,033	83,318	42,203
	Midlothian				
Edinburgh, City of	Edinburgh, City of	486,120	264	227,539	288,506
Eilean Siar	Eilean Siar	26,190	3,071	10,123	5,707
Fife	Fife	365,020	1,325	151,768	134,426
Forth Valley	Clackmannan-shire	465,840	3,070	192,409	176,535
	Falkirk				
	West Lothian				
	Stirling				
Glasgow City	Glasgow City	592,820	175	253,782	297,399
Grampian	Aberdeen City	550,620	8,737	263,798	248,365
	Aberdeenshire				
	Moray				
Highland	Highland	221,630	25,659	108,598	93,300
Lanarkshire	North Lanarkshire	638,240	2,242	251,549	329,438
	South Lanarkshire				
Orkney Islands	Orkney Islands	20,110	990	7,859	7,643
Perth & Kinross	Perth & Kinross	147,780	5,286	71,256	44,342
Renfrewshire	East Renfrewshire	339,560	595	152,976	111,704
	Inverclyde				
	Renfrewshire				
Scottish Borders	Scottish Borders	112,870	4,732	50,134	22,012
Shetland Islands	Shetland Islands	22,400	1,466	8,629	14,201
Tayside	Angus	254,860	2,242	104,671	81,536
	Dundee City				

The proposals do still lead to a situation where there are some very small council areas and some bigger ones. However, this is unavoidable in a country with a land mass and population distribution like Scotland. The main Scottish island areas currently each have their own health board, so we saw no reason to merge them with other areas. And while the population of Lanarkshire is estimated at 638,240 compared to 112,870 for the Scottish Borders, the geographical area of the Scottish Borders is more than twice that of Lanarkshire.

2.2 What the new expenditure powers of the new councils should be

Local authorities have a wide range of responsibilities in Scotland some of which they are required to carry out whilst others are up to local discretion. Mandatory powers which they have to carry out cover areas such as the provision of schooling for all 5 to 16-year-olds; promotion of social welfare; provision of housing for the homeless; and, initiating and facilitating Community Planning. Permissive powers include promoting economic development and promoting arts and tourism.

Local authorities also have a role to play with regard to policing, with councillors currently making up police authorities. However, they are to lose their financial and governance roles with regard to the police due to the government's proposals for a single police force.

In addition to the existing powers of local authorities, Reform Scotland would recommend that the new local authorities take on the responsibilities and expenditure carried out currently by health boards, as well as the responsibility for developing their own strategic development plan resulting in an integration of services under one tier of government. In addition, while Reform Scotland's preference would be for 19 police forces matched up to local authority areas, we realise that the Scottish government is determined to press ahead with plans for a single police force so would recommend that representatives from the 19 councils make up the membership of the new Scottish Police Authority and continue to have a role in the financing of the police.

Health care in Scotland is dominated by 14 territorial NHS Boards, which are responsible for the planning and provision of health services for their local populations based on local need. Six of the NHS Boards are coterminous with one local authority – NHS Borders, Dumfries & Galloway, Western Isles, Orkney, Shetland and Fife. The other 8 – NHS Lothian, Greater Glasgow, Forth Valley, Highland, Ayrshire & Arran, Grampian, Tayside and Lanarkshire – cover more than one council area. Money flows directly from the Scottish Government to the health boards on the basis of need using the NRAC formula (NHSScotland Resource Allocation Committee). Central government is also responsible for setting national objectives and holding the NHS to account for these objectives.

Most non-executive lay members of the boards are appointed by Scottish Ministers; though a councillor from each of the local authorities covered also sits as a non-executive lay member. Pilot elections took place on 10 June 2010 in the NHS Dumfries & Galloway and NHS Fife Health Board areas to allow direct elections to the health boards, however turnout was very low – 22.6 per cent in Dumfries and Galloway and 13.9 per cent in Fife.⁸

Reform Scotland envisages that instead of having a parallel tier of government, whether it is directly-elected or appointed health boards, the new councils should take on board the responsibilities and expenditure of the health boards. The information below comes from an NHS Lothian advert to attract new board members.⁹

“Over the course of 2012, NHS Lothian is looking for six new members to join its Board. As a non-executive member of the Board, you will be expected to play a central role in guiding the strategies which address the health priorities and health care needs of the resident population and which will have a lasting impact on the delivery of healthcare in local communities across the area served by NHS Lothian.”

⁶ Scottish Government, “College regions announced”, 1.2.12; Scottish Government, “West Lothian confirmed as new college region”, 13.3.12

⁷ Scottish Government, “College regions announced”, 1.2.12

⁸ Scottish government, “Health Board Elections and Alternative Pilots in NHS Scotland: Interim Evaluation Report” March 2011

⁹ <http://www.nhsllothian.scot.nhs.uk/OurOrganisation/BoardCommittees/LothianNHSBoard/Documents/JoinLothianNHSBoard.pdf>

Reform Scotland believes that the activities carried out by non-executive health board members, as described by NHS Lothian above, should be carried out by accountable, elected individuals. While we appreciate that pilots have taken place of direct elections to health boards to increase accountability, turnout was very low and Reform Scotland believes that rather than having another parallel tier of government, this role could be far better done by integrating it into the role of local government.

This is not politicising the delivery of health care any more than any of the other local authority responsibilities, but creating a simpler and more transparent hierarchy.

It would be up to local authorities to decide how to meet the healthcare needs of their local population, but we would like to see them setting up mutual health commissioning co-operatives as set out in our report Patient Power.

Local authorities with a greater responsibility for the delivery of healthcare is not unusual and many European countries have a far more localised health system. For example in Denmark, which has a population roughly the same size as Scotland and operates a similar health care system to ours based on the principle of free and equal access for all at the point of use, responsibility for healthcare services lies with the lowest possible administrative level so that services can be provided as close to the users as possible.¹⁰ Although Denmark has undergone local government reform, there are still 98 municipalities, considerably more than in Scotland, which are responsible for home nursing, public health care, school health service, child dental treatment, prevention and rehabilitation as well as a majority of social services.¹¹

Equally in Sweden, they operate a tax-payer funded system which is largely decentralized with responsibilities passed down to both the 290 municipalities and 18 county councils.¹² Again in Norway, which operates a tax-payer funded system, it is the country's 429 municipalities which are responsible for a large element of health care and social services while the state is responsible for ensuring equal framework conditions through legislation and financial framework.¹³

¹⁰ Ministry of Health & Prevention, "Health Care in Denmark", August 2008

¹¹ Ministry of Health & Prevention, "Health Care in Denmark", August 2008

¹² http://www.sweden.se/eng/Home/Society/Health-care/Facts/Health-care-in-Sweden/#idx_2

¹³ Ministry of Health and Care Services, Norway

2.3 What the finance powers of the new councils should be

According to a Freedom of Information request we submitted to the Scottish government, in 2009/10 local authorities were responsible for 25 per cent of all expenditure in Scotland. Despite this, due to the centralisation of Non-Domestic Rates (NDR), or business rates, and the centrally-imposed council tax freeze councils, were arguably responsible for zero per cent of all tax revenue income raised in Scotland.

Reform Scotland believes that each tier of government should be responsible for raising the majority of the money it spends. In our report *Devolution Plus* we set out how this could be achieved for the Scottish government and in our report 'Local Taxes', we set out how this could begin to be achieved for local authorities in Scotland. Whilst there is a limit to what can be done in terms of reaching this goal while the Scottish Parliament itself has so few financial powers, properly devolving business rates and council tax to our local authorities would be a first step.

Council Tax

With regard to council tax, Reform Scotland believes that policies which attempt to manipulate councils into freezing their council tax, policies which were supported by most political parties at the last Scottish election, should be abandoned. The decisions of councils and local councillors should be transparent and they should be accountable to their electorate and such policies undermine this. If councils wish to lower or raise tax in accordance with their budgets and priorities they need to have the freedom to do so.

However, beyond this we also believe that local councils should be able to choose to whom the tax applies, where discounts can be offered and indeed the type of local tax they wish to operate. For example, if one council wants to introduce a land value tax rather than the council tax, it should be free to do so. Alternatively, if one council wants to scrap second home discounts while another council wants to increase them, reflecting their local circumstances, they should be free to do so. Obviously, under the current devolution settlement there are limits on the choice of tax available to councils, but the sentiment is clear – councils should be able to choose the type of local taxation and to whom it should apply. This would allow some

councils, should they wish, to increase local taxation on second homes, without forcing other councils, who may disagree, to have to adopt the same policy. As local taxation is collected locally, there is no reason why differences cannot exist.

However, it is still unsatisfactory for any level of government to be solely reliant on one type of tax.

Business Rates

Business rates are collected locally and Reform Scotland believes that councils should be able to retain the income they raise. This would give local authorities a real incentive to increase economic growth and address specific problems they are facing. For example, a council could opt to reduce business rates on shops in the high street by increasing the rates on out-of-town developments if that was the policy preference of the council. Currently there are winners and losers as a result of the redistribution of business rates. This can be because some councils account for a larger proportion of business rates revenue collected relative to their resident populations than others. Some of this is due to differences in economic performance across the country and some due to council boundaries not reflecting real economic flows. To ensure that this policy did not create a situation where some councils suddenly receive more money and others less, Reform Scotland recommends that, in the first year of operation, the Scottish government grants to each council should be based on the grant they received the previous year, less the business rates collected from the council area in that previous year. Councils would then receive the revenue raised from business rates in their area, with the remaining part of their revenue grant adjusted to ensure no council was better or worse off. Each council would then have to decide whether to retain the business rates inherited or to seek to increase or reduce business rates for their area.

Councils would have an incentive to provide an attractive economic environment, but the decision would be up to them. For example, a council could seek to increase business rates which might have the effect of increasing income in the short term but is likely to lead to poorer economic performance and lower income from business rates in the longer term.

However, the increase in local financial accountability is more likely to give councils an incentive to design business taxation policies and broader local economic development strategies to support the growth of local businesses, encourage new business start-ups and attract businesses to invest since this will benefit the council directly by increasing its income from business taxes.

Passing control of business rates to local authorities would also mean giving them control over business rates relief schemes. As a result, it would be up to each individual local authority how the tax operated within their area.

The change to the grant level would remain the same in future years and would not be affected by whether the individual council collected more or less in business rates. This is essential as it provides an incentive for all councils, regardless of how much they currently receive in business rates, to improve economic growth in their area. It is also cost neutral to the Scottish government. It is often argued that the Scottish Parliament has little incentive to improve economic growth as the benefits would accrue to the Treasury at Westminster, and the same principle applies here.

Table 6 overleaf illustrates how this policy would be cost neutral to both local government and Holyrood based on 32 councils while Table 7 demonstrates the same based on 19 councils.

Table 614: NDR and General Revenue Funding distribution in 2010-11, under Reform
Scotland's proposals to devolve control of NDR with existing 32 local authorities structure.

Authority	Non-Domestic Rate income	Distributive NDR income	Difference between amount raised and amount received	General revenue funding in 10-11	Total of GRF and distributive NDR in 2010-11	Reform Scotland model proposed NDR income in year 1 of operation	Reform Scotland model proposed General Revenue funding income	Reform Scotland model proposed total of GRF and distributive NDR in 2010-11	Difference between total of GRF & NDR in 2010-11 and under Reform Scotland's proposals
Scotland	2,136,388	2,068,200	-68,188	8,017,090	10,085,290	2,136,386	7,948,904	10,085,290	0
Aberdeen City	155,672	84,193	-71,479	254,934	339,127	155,672	183,455	339,127	0
Aberdeenshire	66,764	96,621	29,857	316,320	412,941	66,764	346,177	412,941	0
Angus	22,711	441,41	21,430	164,336	208,477	22,711	185,766	208,477	0
Argyll & Bute	25,620	36,214	10,594	183,939	220,153	25,620	194,533	220,153	0
Clackmannanshire	10,269	20,200	9,931	76,264	96,464	10,269	86,195	96,464	0
Dumfries & Galloway	37,959	59,455	21,496	246,289	305,744	37,959	267,785	305,744	0
Dundee City	58,825	57,010	-1,815	243,482	300,492	58,825	241,667	300,492	0
East Ayrshire	25,426	47,987	22,561	184,258	232,245	25,426	206,819	232,245	0
East Dunbartonshire	20,137	41,904	21,767	141,432	183,336	20,137	163,199	183,336	0
East Lothian	19,677	38,455	18,778	130,738	169,193	19,677	149,516	169,193	0
East Renfrewshire	11,425	35,702	24,277	140,176	175,878	11,425	164,453	175,878	0
Edinburgh, City of	288,506	188,733	-99,773	569,111	757,844	288,506	469,338	757,844	0
Eilean Siar	5,707	10,484	4,777	101,628	112,112	5,707	106,405	112,112	0
Falkirk	60,476	60,652	176	218,525	279,177	60,476	218,701	279,177	0
Fife	134,426	144,812	10,386	507,872	652,684	134,426	518,258	652,684	0
Glasgow City	297,399	233,786	-63,613	1,110,912	1,344,698	297,399	1,047,299	1,344,698	0
Highland	93,300	87,794	-5,506	386,982	474,776	93,300	381,476	474,776	0
Inverclyde	17,413	32,325	14,912	142,097	174,422	17,413	157,009	174,422	0
Midlothian	22,526	32,237	9,711	121,491	153,728	22,526	131,202	153,728	0
Moray	25,929	35,122	9,193	128,054	163,176	25,929	137,247	163,176	0
North Ayrshire	30,918	54,389	23,471	219,991	274,380	30,918	243,462	274,380	0
North Lanarkshire	94,425	130,258	35,833	505,317	635,575	94,425	541,150	635,575	0
Orkney Islands	7,643	7,959	316	64,891	72,850	7,643	65,207	72,850	0
Perth & Kinross	44,342	57,694	13,352	192,920	250,614	44,342	206,272	250,614	0
Renfrewshire	82,866	67,946	-14,920	260,096	328,042	82,866	245,176	328,042	0
Scottish Borders	14,202	44,989	29,777	173,215	218,204	22,012	196,192	218,204	0
Shetland Islands	8,795	8,795	-5,406	86,289	95,084	14,201	80,883	95,084	0
South Ayrshire	34,235	44,685	10,450	160,149	204,834	34,235	170,599	204,834	0
South Lanarkshire	235,013	124,084	-110,929	446,849	570,933	235,013	335,920	570,933	0
Stirling	35,984	35,354	-630	137,469	172,823	35,984	136,839	172,823	0
West Dunbartonshire	64,774	36,390	-28,384	167,013	203,403	64,774	138,629	203,403	0
West Lothian	69,806	67,830	-1,976	234,051	301,881	69,806	232,075	301,881	0

¹⁴Most figures are taken from the Scottish Local Government Financial Statistics 2010-11, published by the Scottish Government in February 2012. However, this publication does not provide break down revenue grants to show the amount received by each local authority. Therefore, for the revenue grant figures, Local Government Finance Circular No.1/2010 which detailed the settlement for 2010-11 is used.

We recognise that in order to pass such wide ranging powers over these two taxes a great deal of legislation will need to be passed by Holyrood to ensure local authorities have the ability to use the taxes to their fullest advantage for their areas. However, Reform Scotland believes this is the direction in which we should be travelling with regard to the financial powers of our councils.

2.4 Diverse structure: Mayors and area committees

Just as Reform Scotland believes there shouldn't be a one-size-fits-all approach to the delivery of public services in Scotland, we believe the same applies to the structure of local government. Each local authority, whether the current 32, our suggested 19 or any other number for Scotland, will face unique circumstances, from geography to population and economic to social issues and, as such, there is no perfect blueprint for the structure of local government in Scotland. It makes sense for the structure of a council which covers a large rural area to differ slightly to that of an urban centre. To a certain extent, there is a degree of difference at present with some councils operating an area committee system. However, Reform Scotland would like to see greater diversity, though such diversity has to come from the bottom up and not be forced on councils by the Scottish government. There are a range of different options the new councils could look at and we think that the two below could help enhance local democracy.

Mayors

Part of the reason for the apathy from the general public towards Local Government is its lack of responsibility, visibility and accountability. If we are to rejuvenate local government in Scotland we need to introduce reforms that help the public to re-engage with their local councils.

In a recent UK-wide YouGov poll commissioned by the Institute for Government although 15 per cent said they knew the name of their council leader, in fact only 8 per cent could name them correctly.¹⁵ The introduction of directly-elected mayors in Scotland, which Reform Scotland first highlighted in our 2008 report 'Local Power', would help address this problem.

The Institute for Government study¹⁶ also highlighted other important benefits of Mayors. For example, as they are elected by the public across their council

¹⁵ Institute for Government, "New national poll reveals local council leaders are unknown to citizens and the majority would prefer an elected mayor", 29.3.12

¹⁶ Gash, T & Sims, S. "What can elected mayors do for our cities", Institute for Government, March 2012

area, rather than just one council ward, they have a stronger democratic mandate and a much greater incentive to focus on responding to the concerns of their electorate. This brings with it wider influence as Mayors can use this democratic mandate for the benefit of their areas when negotiating with central government or other agencies.

Mayors have also provided strong and effective leadership aimed at bringing together different groups and people to tackle local issues. For example, while we in Scotland are in the process of creating a national police force, it has been successive Mayors of New York who have been responsible for leading and co-ordinating that city's successful drive to reduce crime.

This leadership role could be particularly advantageous when it comes to the economic sphere. Increasingly, cities and metropolitan areas are the drivers of economic growth across the world and Mayors have the ability to develop coherent local economic development strategies that suit the modern technological age. Such innovative strategies are being pursued in places such as Chicago led by President Obama's former adviser Rahm Emanuel.

Reform Scotland believes that Scottish local government areas should be able to introduce directly-elected mayors should they wish and should be able to do so using similar mechanisms to England with either a petition signed by 5 per cent of the electorate or a resolution of the council prompting a referendum.

Of course one problem with the introduction of directly elected mayors is that the establishment politicians don't tend to like them as mayors can be seen to weaken the power base of existing politicians. One only needs to look at the situation in London where Boris Johnson and David Cameron are viewed almost as rivals rather than colleagues from the same party. Dan Hodges in a blog for the Daily Telegraph even commented *"I actually think it might be best for him (David Cameron) if his Mayor were to lose next week. He would face the ire of his activists, but his great rival would, if not exactly tarnished by defeat, still have lost a little of his lustre."*¹⁷

Whilst this apparent separation between the party and the mayor has been good for London giving them a strong voice who won't simply follow the

¹⁷ Hodges, D, "David Cameron is damned if Boris does, and damned if Boris doesn't", Telegraph online, 26.4.12

party line (the same could be said of Ken Livingstone vis-a-vis the Labour party), it has arguably been a headache for the central party hierarchies and, therefore, makes it harder to convince some establishment politicians, who perhaps already have some suspicion of local government, that the idea has merit.

This suspicion of mayors by existing politicians goes some way to explain the rejection of the introduction of mayors in nine out of ten English cities which held referendums on 3rd May. However, it is important to note that those referendums were centrally imposed on the cities and therefore did not reflect any local demand for a change. Reform Scotland's proposals are driven from the bottom up and a referendum would only be held if the local trigger mechanisms mentioned were used. Also, mayors are not necessarily right for every area. While nine cities rejected the proposal, one accepted it, another voted to keep its mayor and a number of other cities in England also have mayors. The key is a diverse structure reflecting differing circumstances.

However, whilst mayors are worth considering, they are not in themselves an answer, especially if the mayors, like the councils, have no real powers. In that case they are little more than a figure head. Indeed, another of the problems identified in the May 3 vote in England was that there was little understanding of what powers these mayors would have.

Area committees

The proposed new local authority structure of fewer councils would result in some councils covering a larger number of communities, potentially which may have differing interests and needs. As a result, Reform Scotland believes there is merit, where appropriate, in rolling out an enhanced area committee structure that is currently used in a number of more rural local authorities.

Basically, we would envisage a system where a number of area committees covering the different parts of the council are set up and contain the local members. This would mean that the make-up of the area committee would reflect the political make up of the area, not necessarily the council. Certain areas of responsibility could be devolved down to the committees such as local planning decisions and other issues specific to the area. However, it would be up to each individual council to decide how it would operate in their area.

3. Community councils

3.1 Community councils in Scotland

According to the Scottish government, there are around 1,200 community councils across Scotland. However, not every part of the country is represented by a community council as they are dependent on volunteers. Research carried out by BBC Scotland in November 2011¹⁸ found that 299 community councils were suspended, and only eight local authority areas had a full complement of community councils. Dundee City had the lowest number of active community councils – with only 15.8% operating (though the BBC pointed out that the area had five neighbourhood bodies with the same function.) North Lanarkshire had the second lowest at 47.5%. The Orkney Islands, which had a full complement of community councils also had contested elections in 55% of the councils – the highest proportion anywhere in Scotland. The BBC research also indicated that most community council elections were uncontested, raising a question over how well the individuals can actually represent a community rather than themselves if no-one elected them to their position.

According to the Scottish government, the main responsibility of community councils is to ascertain and express the views of the community to the local authority and other public bodies. Community Councils may also be involved in a wide range of other activities including fundraising, organising community events, and undertaking environmental and educational projects. However, they have no executive powers of their own.

3.2 Survey of community councils & public

In the second half of 2011, Reform Scotland carried out a survey of community councils in Scotland to try and get a sense of the experience of local community councils across the country. The responses we got back indicated that there was a wide range of experiences and opinions about the operation of community councils. We received 117 responses, covering 92 different community councils, representing just over 7.5 per cent of the 1,200 community councils in Scotland and covering 24 separate local government areas. The broad results are detailed below, though the full breakdown of answers is available from Reform Scotland's website:

¹⁸ <http://www.bbc.co.uk/news/uk-scotland-15545566>; <http://www.bbc.co.uk/news/uk-scotland-15540699>

Figure 1:

Are the views of your community council taken into consideration by your local authority?

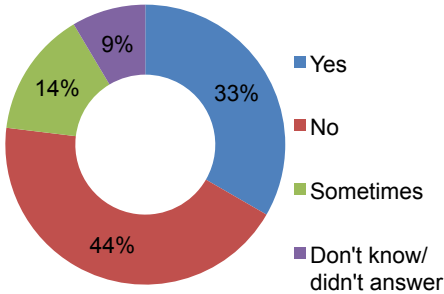


Figure 2:

What would you like to see community councils given control over?

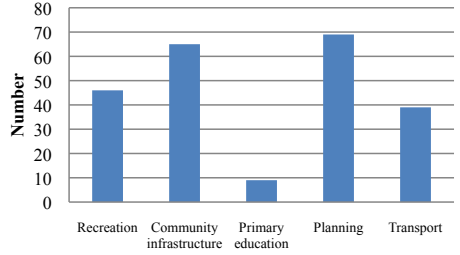


Figure 3:

How should responsibilities be passed down to community councils?

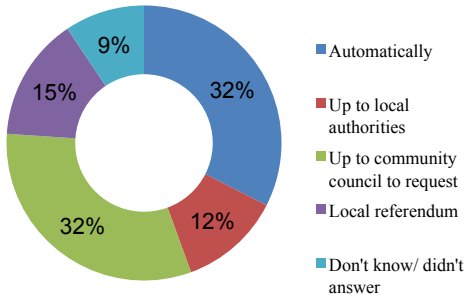


Figure 4:

Does your community council face a struggle to attract members?

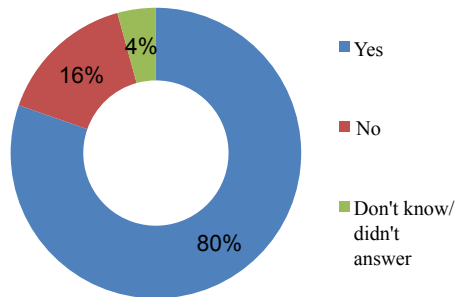
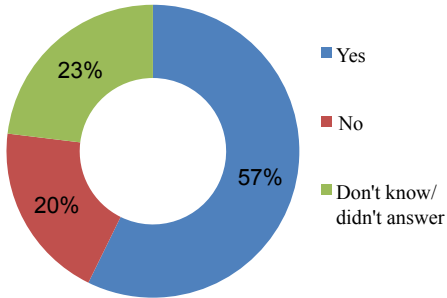
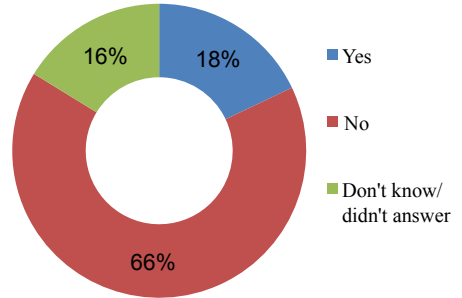


Figure 5:

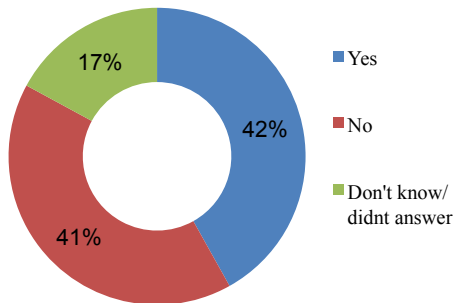
Do you think if community councils had more responsibilities more people would participate?

**Figure 6:**

Should community councils be given the power to raise income?

**Figure 7:**

Do you think local authorities should be given more financial powers



In addition to the questions asked above there were a number of open-ended questions, a selection of answers are illustrated overleaf.

How do you think a wider cross section of local communities could be attracted?

A number of respondents mentioned the need for greater responsibilities as well as a need for greater publicity in answer to this question.

Other comments included:

"Targeting, training, more resources and improved publicity"

"Greater understanding of what Community Councils do"

"Defining and building community spirit is important to begin with. Not all Community Council areas are as clearly defined as ours"

"Effective communication, would be of more interest to people if Community Councils had more influence and a bigger budget"

"By assisting Community Councils to be run more professionally and better organised, hence improving positive visibility within the community. This should be achieved through 'coaching'. Community Councillors are volunteers and do the work in their spare time. They do not want to spend additional time on training courses, seminars etc to allow them to do a better job. The City Council should reorganise their community departments to have dedicated officers assisting Community Councils 'on the job' by organising meetings, writing minutes and other purely administrative and organisational tasks. At the same time these officers can coach community councillors to be effective representatives of their community 'on the job'."

"Change the perception that it is for older people."

"Having a flyer, advertising, local newsletters, demonstrating effective work, and having controversial issues."

"By seeing the results of efforts put in to improve council services."

If you could change one thing about community councils, what would it be?

Again in response to this question a number of respondents referred to the need for more members and for community councils to have more responsibilities. Another frequent response was the need for more training for members. However, some respondents also felt that no changes were needed. Other comments included:

"Promotion by the local authority"

"Have elections on the same day as Local Authorities"

"Enable them to get more clerical support from the council"

"The internet opens up a lot more channels to communicate with people- I'd like to think Community Councils could tap into this. The unfortunate thing just now is that they need to know someone who can help them set a website up. Not sure but if there was a Scotland wide prototype of a website which could be used by Community Councils covering all the types of information that is needed and it could be launched at the press of a button. If community councils had someone on their team who could enhance it – all good and well but the others who didn't have an IT expert would still be able to use the basic version."

"Younger professional pool to come on board, less retired people."

Overall, the survey generated a wide range of responses. Some community councils appear to be well thought of and have a good relationship with the parent local authority, though others can be perceived as representing the views of only those members involved rather than the whole community. However, it was clear that attracting members, especially from a wider demography and younger members, was a problem and there was a belief that if community councils had more responsibilities, this could increase participation. This was particularly the case with regard to planning. Whilst there was little appetite for community councils being able to raise their own income, a number of the comments suggested that they were in need of greater budgetary controls.

3.3 Future of community councils

The turnout at the 2012 local elections, the low level of contested community council elections and the indications from our survey suggest a very real problem in attracting interest in local government in Scotland. Reform Scotland believes that by giving real power, including substantial fiscal powers, to our local authorities this would lead to a renewed interest in local politics. People instinctively know where real power resides, and at this point in time there is little power residing at a local or community council level.

If we want to rejuvenate local democracy, we need to give the electorate a reason to get involved. More power for local authorities enable greater powers to be devolved down to community groups, and if community councils have greater responsibilities there is a greater reason for individuals to get involved. However, the best mechanism for addressing community councils needs to be developed in each local area. Imposing a best practice model from central government would not work as it ignores particular local circumstances. Our results indicated that some community councils work well and should be allowed to continue to do so, but others need to be rejuvenated.

The Scottish government has established a short-life working group to look at ways to build the resilience and capacity of community councils in order to strengthen their voices. The group is to focus its activity around five specific aims:

- Supporting Community Councils to play an active role in their communities (including exploration of current legislative status) and to work together to share experience and good practice;
- Strengthening the role of Community Council Liaison Officers in supporting Community Councils, including in the provision of training and development;
- Increasing diversity of representation on Community Councils (including exploration of wider public perception and awareness of Community Councils);
- Strengthening the link between Community Councils and Community Planning; and,
- Role of Community Councils in project/asset management and service provision.

The working group is due to report later in 2012 and we await its findings with interest, but hope that it considers what additional responsibilities could be devolved down to help give people a reason to volunteer.

4. Other local government issues

While Reform Scotland believes that the only effective way to reignite interest in our local authorities is to devolve real and meaningful powers to our councils, as we have set out in earlier chapters, we do accept that there are other, additional rather than alternative, policies which could also help this process. These areas we have referred to in earlier reports, but have summarised our recommendations below and reiterated their benefit to improving local government in Scotland.

4.1 Quangos

Previous and current Scottish governments have all spoken of a desire to get rid of quangos, bodies which have responsibility for developing, managing and delivering public policy objectives but are at arm's length from government. Yet, whilst all Scottish governments have abolished some, they have also created new quangos. As these bodies are at arm's length from government they are unaccountable to the electorate, despite spending taxpayers' money.

The creation of some of these bodies has also contributed to the weakening of local authorities, whereby power previously held by local government has been passed to a quango, for example the current policies in relation to policing. Currently, local councillors from the areas covered by the board sit on Scotland's eight police boards to hold the chief constable to account. While this process is far from transparent or particularly democratically accountable, there is a link between the voter and how the police are held to account. The proposal for a single police force will remove local authorities' role in this process, instead creating a new body which will be at arm's length from government and whose membership will be made up of government appointees. In other words, local government's role in policing is being weakened and replaced with a quango.

In our 2010 report 'Democratic Power', Reform Scotland called for all quangos apart from tribunals such as the Children's Panel system, to be scrapped. Instead, they should either have their functions brought back 'in-house' to government or be replaced by fully-autonomous, independent bodies which could enter into an open and transparent contractual relationship with government which would provide the necessary funding. This shift should lead to greater scrutiny of the functions being performed.

We believe that there should also be a presumption in favour of functions being performed by local authorities, where appropriate, to ensure accountability to local communities. For example we believe that there is merit in passing a wide range of the functions currently carried out by Scottish Enterprise to local authorities.

The primary aim of Scottish Enterprise according to its management systems is to *“focus all of its activities on achieving the Government’s purpose which is to create opportunities for all of Scotland to flourish through increasing sustainable economic growth. Ministers will expect Scottish Enterprise to do this by pursuing the Government’s Economic Strategy”* As the work of the enterprise quango is so heavily tied to the Scottish government, we believe that it should be brought back into government, directly accountable to Scottish ministers. However, there is scope to devolve some of its functions to local authorities.

Following a review carried out by the Scottish government in 2007 into the Enterprise Networks, Business Gateway and local regeneration activities were transferred to local authorities, but more can be done. Scottish Enterprise’s current business plan¹⁹ states that the Board of Scottish Enterprise has identified five strategic priorities to help respond to the economic challenges and allocate resources where they believe they will have the biggest possible impact on Scotland’s economy. We believe that such responsibilities should be split between the Scottish government’s Enterprise, Environment & Digital Directorate and local authorities, with local authorities able to set and manage priorities relevant to their local area, while the Scottish government can focus on more strategic and outward looking priorities.

4.2 Planning

Giving local authorities greater financial powers not only makes them more democratically accountable and relevant to the electorate, but it can also have a positive impact on the planning system. In Reform Scotland’s 2011 report ‘Planning Power’, we argued that by giving greater fiscal autonomy to local authorities it would lead to a situation where a new development, whether commercial or residential, would bring extra revenue to local authorities helping to outweigh the cost to councils of providing additional public services. This should help lead to a more positive culture within the

¹⁹ Scottish Enterprise Business Plan 2012-15

planning system. Obviously different local authorities would continue to adopt different attitudes towards development in their areas. However, under a system where fiscal powers were devolved to councils, the councils would bear the financial consequences of their own decisions as well as being answerable to the local electorate for the balance they struck between new development and conservation. There would also be a direct trade off between enabling development and increasing financial gains to the council through an expanded tax base, or rejecting development and having to raise money from elsewhere which could help toward addressing the NIMBY issue.

Under our proposed 19 local authority structure, Reform Scotland would also recommend that councils should not be forced to work together to produce Strategic Development Plans which cover the four main city regions. While it might make sense for councils to work together, this should be a matter for them to decide.

Planning is an area Reform Scotland believes offers opportunity for decisions to be devolved further beyond the local authority areas, specifically with regard to local planning matters, perhaps to area committees of strengthened community councils, as local planning decisions should be taken at the level or the local community to ensure that decisions are taken as close to the affected community as possible. This builds on the greater local engagement and involvement in the planning system encouraged by the 2006 Planning Act and, combined with an appropriate system of finance, this would help to achieve the right balance between local economic development and the preservation of the local environment.

This could be done by giving local communities the right to acquire powers over areas such as planning from existing local authorities. This would only happen where communities wished to go down this route and expressed this desire in a local referendum. Such an evolutionary approach recognises that the current network of community councils in Scotland is patchy with some working better than others. Until areas have a properly-constituted community council in place, decisions would be taken by representative committees of local councillors.

Initially, local communities would receive funding associated with the powers devolved to them. However, this should take into account increases in households and businesses resulting from any permitted development. They should also be able to attach conditions and negotiate compensation agreements with developers. This greater local control should result in necessary development taking place where the relative value of the development to the local community outweighs its costs in terms of loss of environmental amenity. This will encourage development that is sensitive to the local environment, e.g. more small scale developments in keeping with the existing nature of the local area, since developers would have a financial incentive to minimise the detrimental effects of any development. It is certainly preferable to a system whereby a higher authority can impose a development on a local community in return for what they view as adequate compensation, but which may not be viewed as such by the community affected. For developments defined as national or major this is, however, unavoidable as these would still be decided by the Scottish government and the wider local authority. Even in these cases though, developers would have to negotiate with affected local communities to promote sensitive development.

The financial incentive should limit the 'Nimby' mentality and force local communities to look at the costs and benefits of any development to their community. With well over a thousand community councils in Scotland, competition would also mean that if any developer felt they were being held to ransom they could just go elsewhere. Instead, a process of negotiation would be encouraged.

5. Conclusion

The local government elections in May 2012 should represent a wake-up call about the need to rejuvenate local democracy. Local authorities are responsible for spending roughly 25 per cent of all expenditure in Scotland and make a wide range of decisions that affect our day to day life, from when and how our bins are collected to our children's education. However, as Reform Scotland highlighted in our last report, 'Local Taxes', over the recent past more and more decisions are being centralised from the council tax freeze to policing. People recognise that the real power no longer rests with their council and are, unsurprisingly, paying it less attention.

This election must be a watershed from whence we make a choice:

On the one hand Scotland can be a centralised country. Everything can be dictated from Edinburgh to ensure services are delivered in exactly the same way, regardless of local needs and circumstance.

Or on the other hand we can have a localised Scotland, where local authorities have the freedom and the financial powers to make decisions for their local areas based on local priorities, though recognising that this will mean services and financial burdens are approached differently across the country.

Our politicians must be honest with us. If they believe in the centralised approach they must say so rather than centralising public services whilst not making it clear about the implications for local government, as has been the case with the police.

Reform Scotland has always advocated localism, believing that services are most effectively delivered as close to the user as possible reflecting the different priorities and circumstances they face. As a result, in all areas of policy we have advocated a greater role for local authorities, and indeed communities.

However, in rejecting localism and centralising power, politicians have often used the excuse that devolving power down within Scotland was impractical as we had too many local authorities at 32 to do so. Although we would dispute the “too many” claim, especially when we are compared to most other European countries, Reform Scotland has recognised that in order to convince politicians of the merits of devolving powers to councils, we must first look at how we can restructure local government in Scotland.

The 19 larger councils with far greater financial powers that we have outlined in this report would also allow the removal of a parallel tier of government – health boards. The Scottish government has experimented with direct elections to health boards, though these resulted in very low turnouts. Rather than having parallel tiers of government, we believe these services could be integrated within democratically-elected local authorities.

This report sets out Reform Scotland’s vision of the future of local government in Scotland, it is now up to the politicians to tell us theirs.

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