

REFORM SCOTLAND
BLUEPRINT
FOR
LOCAL
POWER

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Reform Scotland - Blueprint for Local Power

This is not a local government manifesto rather it sets out policies which Reform Scotland believes will lead to greater local power in Scotland.

Reform Scotland's founding principles are limited government, diversity and personal responsibility:

- The need for diversity is a recognition that people and local communities are different with different needs and priorities. Therefore, we need to find an appropriate balance between central and local government with a presumption in favour of power being exercised as close to those affected as practical within an overall legal framework that protects individual rights.
- This has informed our analysis that power in our society has become far too concentrated and centralised and that this top-down, uniform approach has failed to deliver adequate social and economic progress. Many other comparable European countries have achieved better outcomes by pushing power downwards. Therefore, fundamental reform which empowers local communities and people is the best way forward.
- Greater fiscal autonomy and control over revenue raising powers are essential to enhancing local accountability and responsiveness to people's needs and preferences. It encourages innovation and increases the chance of finding good policy solutions, while also imposing discipline since jurisdictions have to attract people and businesses in order to increase revenue and this means finding the right balance between taxation and spending.

It is sometimes said that our councils cannot and could not cope with the additional responsibilities and tax powers we have set out in this manifesto. To them we would point out that similar claims were made of a devolved Scottish body in the early nineties. People may not have imagined then that less than 30 years later a Scottish Parliament would and could manage all the responsibilities that it does. Further in many other comparable European countries, local authorities have a wider range of tax powers. The debate has to start somewhere.

New constitutional relationship between local and central government in Scotland

There should be a new constitutional relationship between the Scottish Government and local authorities set out clearly in a new piece of legislation. This recognises both that local government is a fundamental principle of democracy and that an enhanced role for local government is essential to achieving the objective of better public services. This new constitutional relationship should be based firmly on three clear principles:

- Local authorities would have responsibility for all areas which were not specifically reserved to the Scottish Parliament, which is the principle governing the relationship between Westminster and the Scottish Parliament.
- Tasks should be carried out at the lowest administrative level practical - the principle of subsidiarity which would move away from the policy of uniformity and provide an opportunity to drive forward innovation.
- Councils would provide clear and transparent information on their activities to ensure proper local accountability.

Local Power, 2008

Where possible devolve quangos' responsibilities to councils

Quangos are not sufficiently accountable to the Scottish Parliament or the Scottish people. The current lack of openness and accountability is not conducive to good governance. This needs to change because the power exercised by government in our democracy derives from the consent of the people and should be exercised in their interests.

The Crown Estate: Yet another quango, 2016
Improving Scotland's Business Environment, 2015
Quango Salaries (2), 2014
Quango Salaries (1), 2013
Quango expenditure, 2012
Democratic Power, 2010

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Devolve Council Tax in full

The way that local taxation operates at present takes no real account of local priorities because local councillors have no genuine control over local taxation. Although the Council Tax freeze has been lifted, increases have been capped by the Scottish Government, just as they were in the past by Conservative Governments led by Margaret Thatcher. The only way local priorities and circumstances can be taken into account is if council tax is fully devolved. As well as being able to set the rate, this would also allow individual councils to change to whom and how it applied - for example enabling Highland Council to increase the tax on second homes where Midlothian may want to cut it. Alternatively, it would also enable a council to choose a different type of local taxation if it felt that was more effective for the area. Having the tax fully devolved will also make it clear to the voter who is responsible. Reform Scotland is not suggesting council tax should be replaced, or which tax should replace it, rather that it should be for local authorities, rather than Holyrood, to choose the best funding stream necessary to meet their own local needs and priorities.

Localising Local Tax, 2015
Improving Scotland's Business Environment, 2015
Renewing Local Government, 2012
Local Taxes, 2012
Planning Power, 2011
Local Power, 2008

Devolve Business Rates in full

Business rates are currently fully centralised. Although they are collected by councils, the rate is set by the Scottish Government, which also redistributes the amount to councils. As a result, the amount councils receive bears no correlation to the economic activity in their area. In England the UK Government is looking at allowing councils to retain business rate income, recognising that this helps to give councils an incentive to promote economic growth. However, it does not go far enough as the rate and structure is still centralised. Reform Scotland believes that in Scotland business rates should be devolved in full to councils. This would allow each council to make its own decision about amending or replacing the tax as well as relief programmes. For example, councils could look at where there are areas in need of regeneration and offer rates relief to specifically target these areas, with the ability to tailor the length and size of the rebate as they see fit.

Localising Local Tax, 2015
Improving Scotland's Business Environment, 2015
Renewing Local Government, 2012
Local Taxes, 2012
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Local Power, 2008

Allow local authorities to introduce additional new taxes

Leaving aside the merits of particular taxes such as bed taxes, Reform Scotland believes that local authorities should be able to introduce such taxes if they feel they are appropriate for their area. If the electorate disagrees, they can vote the councillors responsible out. Such schemes also increase diversity and allow councils to learn from the experiences of other local authorities. Importantly, it also makes councils less dependent on central government grants.

Localising Local Tax, 2012

Further fiscal devolution

Reform Scotland believes that local authorities should be responsible for raising more of what they spend. Fully devolving council tax and business rates would give councils responsibility for raising 41% of their expenditure, up from 14% currently. However, there is room for improvement and potential for devolving more power as Holyrood gets greater powers. For example, we believe that VAT should be devolved to Scotland following Brexit, which offers the potential for further devolution to councils.

Localising Local Tax, 2015

Background Facts & Figures

- The Local Government (Scotland) Act 1994 abolished Scotland's 9 regional and 53 district councils, creating the unitary system of 32 local authorities in place in Scotland today.
- 1,223 councillors are elected every four years through a Single Transferable Vote (STV) system to represent multi-member wards. The last local government elections took place in 2012. The forthcoming elections were delayed until May 2017 to avoid clashing with the Scottish Parliament elections.
- Local authorities have a wide range of responsibilities in Scotland, some of which they are required to carry out whilst others are at their discretion.
- The main source of revenue income for local government comes in the form of grants from the Scottish Government.
- Since 1990 and the creation of the UBR (Uniform Business Rate) business rates have been set by central government, collected by local government, passed to the centre and redistributed to local government on the basis of adult population.
- The Council Tax was frozen by the Scottish Government between 2008 and 2017. Following the 2016 Scottish elections, the council tax freeze will end from April 2017, but with future increases limited to 3%. Further changes will also see council tax bands E-H rise from this point.
- Local authorities receive income from sales, rents, fees and charges (customer & client receipts) as a result of providing services. These services are wide-ranging in nature, as is the amount of income associated with each service. Local authorities are responsible for setting and collecting these charges and they retain the revenue from them. This is the only income stream over which councils have full control, accounting for 14% of their income.
- Although not an independent country, Scotland is often compared to other similarly sized countries. It is, therefore, worth noting that our level of decentralisation would make Scotland one of the most centralised countries in the world. The cap on council tax and control from Holyrood means that local authorities are not fully responsible for any tax income in Scotland.
- The table below outlines local government revenue income. The only funding stream over which councils have complete control is customer & client receipts, which amounted to £2.4 billion in 2015/16.

Local Government revenue income by source, from Scottish Local Government Finance Statistics 2015/16

£ millions	2011-12		2012-13		2013-14 ¹		2014-15		2015-16	
General Funding:	12,483	69%	12,543	68%	11,724	70%	11,923	70%	12,003	70%
General Revenue Grant	7,790	43%	7,782	42%	7,225	43%	7,167	42%	7,147	41%
Non-Domestic Rates	2,203	12%	2,297	13%	2,436	15%	2,656	16%	2,791	16%
Council Tax ²	2,301	13%	2,319	13%	1,978	12%	2,022	12%	2,055	12%
Other Funding ³	189	1%	145	1%	85	1%	78	0%	10	0%
Service Income:	5,704	31%	5,777	32%	5,066	30%	5,185	30%	5,230	30%
Government Grants (excl GRG)	2,561	14%	2,640	14%	1,974	12%	1,984	12%	2,040	12%
Other Grants, Reimbursements and Contributions	856	5%	807	4%	774	5%	833	5%	768	4%
Customer and Client Receipts ³	2,287	13%	2,330	13%	2,317	14%	2,368	14%	2,423	14%
Total Revenue Income	18,188	100%	18,320	100%	16,790	100%	17,108	100%	17,233	100%

1. Figures for 2013-14 and later are not comparable with prior years due to changes to the way that Police and Fire are funded following the formation of Police Scotland and the Scottish Fire and Rescue Service.

2. Pre-2013-14 Council Tax figures are not comparable with later years as Council Tax Reduction (CTR) was introduced from 1 April 2013 to replace Council Tax Benefit (CTB), which was abolished by the UK Government as part of its welfare reform programme. Due to differences in the administration of the two schemes, Council Tax figures before 2013-14 include CTB, whereas figures from 2013-14 onwards do not include CTR.

3. Other income is mostly composed of grants and subsidies received from central government and other parts of the public sector.