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**Scottish Local Government in an Age of Devolution:
Plus Ça Change?**

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Foreword

This contribution to the Working Paper Series is the Master of Public Policy thesis was submitted and defended at the Hertie School of Governance by David Martin in May 2008. It is a well-researched and –written thesis on the issues of devolution and local government and central-local relations in Scotland. More concretely it is an analysis of the costs and benefits of more decentralization to the local level of government and an analysis of whether Scottish local government has become more autonomous post devolution. We are glad to make David Martin’s work available to a wider audience in this form.

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Scottish Local Government in an Age of Devolution: *plus ça change?*

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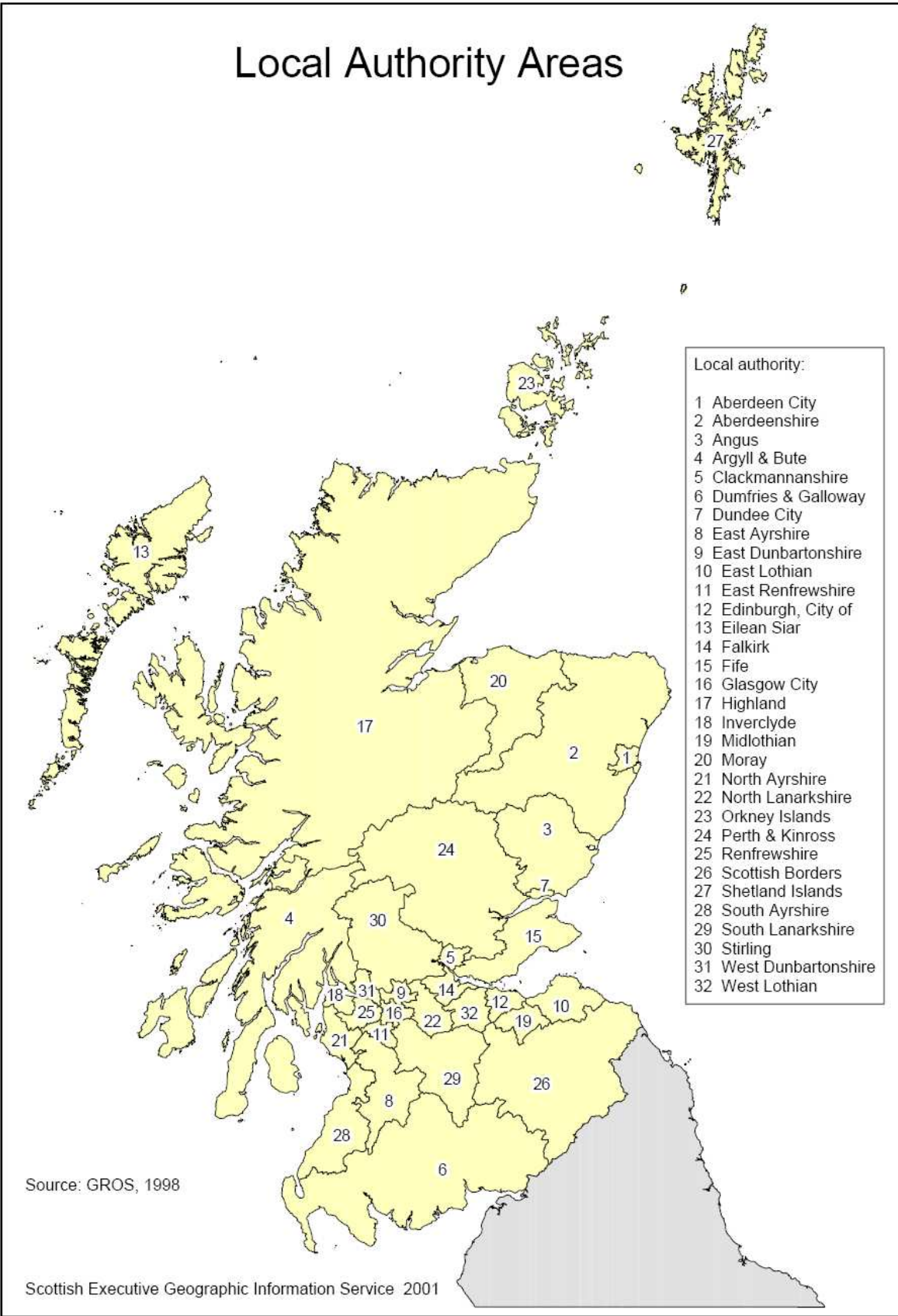
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Local Authority Areas



Source: Scottish Government (2005)

Executive Summary

- Central local relations during the pre-devolution period were marked by a strong central dominance over local affairs
- The 1980s and 1990s were defined by the new public management approach of consecutive radical Conservative Governments which brought about a 'new centralism' in central local relations
- Scottish Devolution in 1999 resulted, in part, from the strained relations between a predominantly Labour-supporting Scotland and four consecutive Conservative Governments pursuing top-down management and fiscal policies
- Scottish Devolution brought about a paradigm shift in Scottish politics and opened a window of opportunity, couched in the rhetoric of subsidiarity and parity of esteem, for a more autonomous layer of local government
- There are substantial benefits to be reaped from decentralising more autonomy to the local level including, effectiveness and efficiency gains in service provision, the creation of laboratories of innovation and best practice, and transparency and accountability gains
- There are, however, a number of qualifying factors which should be considered when devolving more autonomy to the local level including, costs of increased autonomy and implementation considerations
- The evidence suggests that there was no increase in local government autonomy in the first eight years of devolution
- The evidence suggests that since 2007 the SNP have taken a contradictory approach to local government autonomy

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List of Abbreviations

- ADES Association of Directors of Education in Scotland
- ALACHO Association of Local Authority Chief Housing Officers
- COSLA Convention of Scottish Local Authorities
- CTT Compulsory Competitive Tendering
- GAE Grant Aid Expenditure
- MSP Member of the Scottish Parliament
- NDRI Non-Domestic Rate Income
- NPM New Public Management
- PPP Public Private Partnerships
- Quango Quasi-Autonomous Non-Governmental Organisation
- RSG Revenue Support Grant
- SCC Scottish Constitutional Convention
- SLAED Scottish Local Authority Economic Development Group
- SNP Scottish National Party
- SOA Single Outcome Agreements
- SOLACE Society of Local Authority Chief Executives and Senior Managers

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1. Introduction

Background

To paraphrase Wallace Oates (1999: 1120) 'decentralisation is in vogue'¹. Over the last two decades an increasing number of countries have decentralised their internal governance structures. The United States, for example, already a long established federation has witnessed the Federal Government handing back numerous competencies to the states (Oates 1999). Across the Atlantic in Europe where there has been a long history of centralised government, a number of countries including Belgium, Italy, Spain, and the United Kingdom have also begun to decentralise policy-making and fiscal competencies, albeit in a more asymmetric way, to sub-national units. Finally, less economically developed countries have also been involved in this wave of decentralisation. Out of the 75 developing and transition countries with populations greater than five million all but 12 have undertaken some degree of decentralisation passing either competencies or discretion to sub-national and local governments (Dillinger 1994).

This 'rush to decentralisation' has been fuelled by a number of reasons - many of which will be articulated more clearly in relation to Scottish local government² later in this study – but for now, it is enough to state that broadly, motivations for decentralisation include perceived³ efficiency, accountability, transparency, and democratic⁴ gains. Nevertheless, whilst all of these incentives play some role in each country's decision to decentralise, a different emphasis will be placed on different gains in different countries. That is to say, depending on the country and its aims one of the above perceived gains may be valued more highly than the rest. For example, it would be fair to argue that further decentralisation in the United States will place more emphasis on economic efficiency than that of democratic renewal or conflict resolution. In European countries, however, whilst it has been hoped that decentralisation would also deliver in terms of increased efficiency and accountability, these

¹ Oates' exact statement was: "fiscal decentralisation is in vogue"

² The terms 'local government', 'local authority', and 'council' are widely and interchangeably used both in the academic literature and in common parlance. As such, the author will use all three of these terms interchangeably all to denote the same thing: that is, the lowest level of elected government in Scotland.

³ The author is careful enough to state that these gains are 'perceived' as which gains are realised and to what degree depends on the success of transfer between theories and practice which in turn relies on a number of factors including implementation strategies.

⁴ Closely associated with democratic gains is the use of decentralisation for conflict resolution

gains have been somewhat supplementary to the aim of decentralisation in, for instance, Belgium, Spain, and the United Kingdom.

In each of these European countries decentralisation has been a governance tool which has aimed to accommodate territorially-defined cleavages, be they cultural, linguistic, or socio-economic, whilst empowering groups who have felt disenfranchised by the constitutional status quo. Indeed, in the United Kingdom devolution to Scotland was about empowering a part of the UK which increasingly felt like a 'colonial outpost' (McConnell 2004a: 5), or as Jeffery (2006: 57) more eloquently states it "[d]evolution was about reconfiguring *ownership* of politics in a territorial frame by renewing the connection of the United Kingdom's non-English nations to government". In short, devolution was about 'democratic renewal' (Ibid)⁵. Integral to the idea of democratic renewal not just in the UK but also in Belgium and Spain and indeed integral to the wider decentralisation philosophy has been the idea of subsidiarity: that is, decision-making taking place as close to the citizen as is possible or practical. The principle of subsidiarity is not new to the European context it is, for example, enshrined in Article 5 of the Treaty establishing the European Community (Treaty of Rome 1957), and reasserted in the articles of the European Charter of Local Self-Government (1985).

Nevertheless, whilst it can be argued that decentralisation is fundamental to the concept of subsidiarity there can be instances whereby a process of decentralisation is simultaneously positive and detrimental in achieving governance at the lowest practical level. This can be the case when a middle-tier of government is created or empowered to the detriment of a lower, more local, level of government. A national government, for example, may decentralise power and competencies to a sub-national tier of government in order to achieve any of the gains outlined above. However, in either creating or further empowering a sub-national tier of government the national level runs the risk of inadvertently weakening local government unless legal or institutional safeguards are implemented to prevent this from happening. The weakening of the local level at the hands of the newly created or empowered sub-national government does not have to be, in the words of Himsworth (2006: 165), "some crude lust for power", although we should not be so naïve as to rule out this possibility. Rather, it can often be the case that the sub-national government, with a new found sense of purpose, may decide that some competencies are better exercised at a higher level, or more paternalistically that the local government 'needs' more guidance.

⁵ Or put in the popular vernacular: 'Scottish solutions to Scottish problems'.

Both Belgium and Spain are examples of where increased decentralisation to the middle-tier of government has resulted in some degree of weakening of local government (Jeffery 2006: 59).

In Scotland, similar concerns were raised that devolution could result in the marginalisation of local government (Ibid, Himsworth 1998). Such concerns were perhaps not unfounded: local government in the UK is not constitutionally guaranteed but rather a creature of statute and the creation of a devolved legislature and executive at the Scottish level would mean that the legislative responsibilities for local government would be passed down to the middle-tier of government giving it enormous discretion over the future power and functions of local government (Himsworth 2006: 154). Neither can it be said that central government had a 'hands-off' approach to the local level for much of the post-war period particularly after the financial crisis of 1976 followed by the 'new centralism' (Midwinter 2002: 39) of four consecutive Conservative governments.

The so-called 'new centralism' was couched in the terms of new public management (NPM)⁶ and saw more central control and less local autonomy in both financial and policy making matters. In terms of fiscal autonomy there were a number of reforms which either resulted in the outright removal of fiscal competencies from the local level or at least a squeeze on local authorities' discretion in financial matters. Non-domestic rates⁷, for instance, were removed from the control of local authorities. These had been set and collected by local authorities until 1990 until central government removed the power to set business rates to the centre for fear that local governments could not be trusted to tax local businesses sensibly (McConnell 2004b, John 1997).

The removal of non-domestic rates to the centre meant that local authorities became more dependent on central grants for funding. Central grants also came under increased pressure. Efficiency and cost effectiveness drives mounted by Conservative governments

⁶ Pollit (2003) defines new public management as a 'shopping basket' which includes: 1) the professionalisation and "managerialising of the public sector"; 2) a change in priorities whereby specialised, streamlined and autonomous organisational forms take precedence over large, over inflated, multi-functional, inflexible ministries and government departments; 3) there is a shift towards a higher utilisation of performance indicators such as league tables for schools and hospitals; 4) there is a greater emphasis upon the markets and a laissez-faire approach to public sector services with 'contracting-out' whereby private companies compete for public sector contracts and the establishment of internal markets such as the NHS; there is a marriage between the private and public sectors; and finally there is a paradigmatic shift from universalism, equality, welfare security provided by the state to individualism and efficiency.

⁷ As explained in chapter 2 Non-Domestic Rate Income (NDRI) is a rate poundage on businesses – a form of council tax on businesses.

saw Scottish Office Ministers being granted the power to 'cap' local authority budgets where they saw them to be too generous. Further to this Westminster also reduced its centrally determined financial support for local authorities, whilst central government also made "a policy assumption that all pay increases would be funded by efficiency gains" (Midwinter 2002: 38). All of these changes, and others, went to create a system of local finance which was increasingly performance dependent and driven by incentive but, more importantly, was increasingly determined by the centre. As Gallagher et al. (2007:6) write, "1979 to 1990 has been described as a period in which there was '*all out war*' over local taxation, spending, grants and virtually every other aspect of central-local relations".

The policy-making autonomy of local government came under similar centripetal forces. The introduction of Compulsory Competitive Tendering (CTT) meant that local authorities became statutorily bound to tender out the provision of certain services, whilst the 'juridification' of central-local relations meant an increasing amount of judicial review of local government policies and actions (Loughlin 1996). Finally, throughout the 1980s and 1990s there was a proliferation of so-called quangos (Quasi-Autonomous Non-Government Organisations). These are non-elected bodies which took over a number of functions previously carried out by local authorities such as water, sewerage, environmental protection, and child protection (McConnell 2004b).

There is no need to go into further detail about 'centralising' policy changes in the 1980s and 1990s, indeed each of these policy changes will be touched on again and in more detail in following chapters, but it was important to briefly outline these in order to highlight the distrust held by local government in Scotland vis-à-vis central government in the decades preceding devolution. But we should be careful: the changes outlined above should not be considered the root and branch reasons *per se* for the erosion of trust between local authorities in Scotland and central government in London. Rather, there was a more fundamental problem which exacerbated the 'centralising' approach during this period: that is, there was a considerable partisan asymmetry between central government in London and local government in Scotland. To demonstrate this asymmetry, in 1979 the Conservative Party won the general election with 43.9 percent of the vote and gained 339 from a possible 635 seats whilst the Labour Party in Scotland gained 44 out of a possible 71 seats with 41.6 percent of the vote (McConnell 2004a: 5). By 1997 this had widened with the Labour Party gaining 56 seats from a possible 72 in Scotland (Ibid). This was known as

the 'Scottish problem': the anomaly of a radical Conservative government implementing policies with a neo-liberal basis in a statist, Labour dominated Scotland (McConnell 2004b).

It can be argued that it was this anomaly, voting *en masse* for a leftist party but having a radical right Government for 18 years, which made many in local government overcome the distrust they held for central government by supporting - through the representation of COSLA (Convention of Scottish Local Authorities) - a major role in the Scottish Constitutional Convention (SCC), a broad church of influential members from Scottish civil and political society⁸ which were instrumental in the creation of the Scottish Parliament. The support from local government nonetheless came at a price what Jeffery (2006: 60) has described as "the local-government-friendliness of the Convention's proposals". For instance, the Convention stated that, "[t]he Act [which would devolve power to Scotland] will include a clause committing the Scottish parliament to secure and maintain a strong and effective system of local government, and *will embody the principle of subsidiarity so as to guarantee the important role of local government in service delivery*". It continues, "[t]he Convention believes that the aim of the parliament should be, firstly, to safeguard and *where possible increase the area of discretion available at the level of the local authority*" (SCC 1995: 5 Italics added).

The new Labour government as part of their modernising agenda also went to great lengths to assuage the fears of local government and profess its support for constitutional change. For instance, one of the first acts of the Labour government was to sign the 1985 European Charter of Local Self-Government (Himsworth 2006). This was indeed a symbolic move, previous Conservative governments had refused to ratify the Charter whilst the Charter itself - though relatively ineffectual in terms of enforcement (Ibid) - is clear about the importance of subsidiarity and the strength of governance at the lowest possible level. Article 3.1 of the Charter, for instance, states that the role of local government should be to "regulate and manage a *substantial share* of public affairs under their own responsibility and in the interests of the local population" (italics added). Analogously, Article 4.4 of the Charter is clear that the powers given to local government should be "full and exclusive", it states, "they may not be undermined or limited by another, central or regional, authority except as provided for by the law". Finally, Articles 9.1 and 9.3 of the Charter ensure a certain degree

⁸ It should be noted that both the Conservative and Unionist Party and the Scottish National Party declined to participate in the SCC. For many in the Conservative Party devolution was seen to be a threat to the 'Union' and created an unnecessary layer of bureaucracy. For the Scottish National Party devolution did not go far enough in the direction of full Scottish independence from the United Kingdom.

of fiscal autonomy for local government. Article 9.1 states that “[l]ocal authorities shall be entitled, within national economic policy, to adequate financial resources”, with which they “may dispose freely within the framework of their powers”, whilst Article 9.3 states “[p]art at least of the financial resources of local authorities shall derive from local taxes and charges of which...they have the power to determine the rate”.

The government echoed these sentiments in the Scottish devolution white paper, *Scotland's Parliament*, which set out the legal basis of Scottish devolution. It stated in chapter 6.2 that, “[i]n establishing a Scottish Parliament to extend democratic accountability, the Government do not expect the Scottish Parliament and its Executive to accumulate a range of new functions at the centre which would be more appropriately and efficiently delivered by other bodies within Scotland. The Government believe that the principle that decisions should be made as close as possible to the citizen holds good within Scotland as it does within the United Kingdom” (Scottish Office 1997 *Italics added*).

Finally, The Commission on Local Government and The Scottish Parliament (McIntosh Commission) was established by the Scottish Office in 1999 to consider relations between the Scottish Parliament and local government whilst also considering how to make local government more democratic and accountable. Amongst the 30 recommendations made by the McIntosh Commission it was evident that more autonomy should be given to local government. Firstly the Commission recommended that “the option of transfer to local government should always be considered in any review of other bodies delivering public services; and likewise where new services are developed, prior consideration should always be given to whether local government should be their vehicle, subject to consideration of efficiency and cost effectiveness” (McIntosh Commission 1999: para 62). Secondly, the Commission asserted that local government should be given a ‘power of general competence’ as enjoyed by local authorities in other European nations such as Denmark, France, and Sweden (Ibid: para 52). Such a power would allow a local authority to act in the interest of the local community without having to point to a specific piece of legislation for doing so, thus relaxing the *ultra vires* regime⁹. Finally, whilst finance was not part of the Commission’s brief it did make some tentative recommendations on the state of local government finance. The Commission asserted that “it would be better if councils were in the position of raising a much higher proportion of revenue locally” (Ibid: para. 55) whilst it

⁹ The legislative position and *ultra vires* regime of local government is explained in full in Chapter 2

went on to “recommend that an independent inquiry into local government finance should be instituted immediately” (Ibid: para. 57).

Research questions and structure

It can be argued that amongst the rhetoric of democratic renewal, subsidiarity and partnership, and in its bid to reassure the local level that Scottish devolution would not be detrimental to local autonomy the centre, inadvertently or not, opened a new ‘window of opportunity’ (Kingdon 1984)¹⁰ through which a paradigm shift in central local relations could be pursued by increasing local government autonomy. The question is, would more autonomy at the local level be a positive or negative change for Scottish governance, and would the centre entertain the idea of letting go of some power they have only just received? This study will explore the window of opportunity and thus evaluate the costs and benefits of decentralising more autonomy to the local level whilst also assessing whether the centre took the opportunity to follow up on its rhetoric and promises and devolve more autonomy to the local level. Put differently, it is the purpose of this study to answer the following two questions: **1) what are the costs and benefits of more decentralisation to the local level of government; and 2) is Scottish local government more autonomous post devolution?**

In answering these questions the study proceeds as follows. **Chapter 2** is mainly descriptive and provides an introduction to local government in Scotland, including the legal position of local government, its powers and functions, and how it is financed. **Chapter 3** deals directly with the first research question and considers the benefits and costs of devolving more autonomy to the local level. In doing so, the chapter also details the implementation considerations of decentralising more autonomy to the local level. **Chapter 4** deals directly with the second research question and assesses whether local government is more autonomous or not since devolution. In doing this the chapter is divided into two periods of time: 1) 1999 until 2007; and 2) 2007 to present. This division represents the change in power at Holyrood from the Labour Liberal Democrat coalition Executive to the

¹⁰ Kingdon argues that there are ‘streams’ of ‘problems’, ‘policies’, and ‘politics’ which run parallel to each other and when they meet they open windows of opportunity through which policy change can be initiated.

new minority SNP Government¹¹. Finally, **Chapter 5** provides conclusions and recommendations based on the evidence provided in the study.

Before, however, we delve into these chapters it is important to firstly provide a robust definition of what autonomy means in the context of this study and also to provide a brief account of the study's methodology.

Defining autonomy

For the purpose of this study autonomy will be defined using two variables. The first variable is *scope*: that is, the number of competencies (policy-fields and fiscal powers) held at the local level. The second variable is *discretion*: that is, the degree to which local government can exercise its competencies – both policy and fiscal - free from central intervention. The reason for making this distinction is intuitive: we cannot simply state that local government has *n* number of competencies and therefore this is indicative of its autonomy. Rather, when we consider local government autonomy we must consider the range of competencies under the jurisdiction of the local authority and also the freedom with which the local level can operate *within each of these competencies*. It is possible, for instance, that local government is charged with a tax raising competence in order to raise part of their revenue, however this tax raising competence counts for little vis-à-vis autonomy unless there is a corresponding degree of discretion which allows for full, or as close to full, exercise of this competence.

In Scotland, for example, local authorities have *in principle* the competence to raise revenue through the Council Tax. Nevertheless, this competence currently counts for very little in autonomy terms because all 32 local authorities have agreed to 'freeze' their Council Taxes at 2007-08 levels for three years (see chapter 4 for full discussion) thus removing their discretion to make Council Tax increases or decreases¹² over the remaining parliamentary

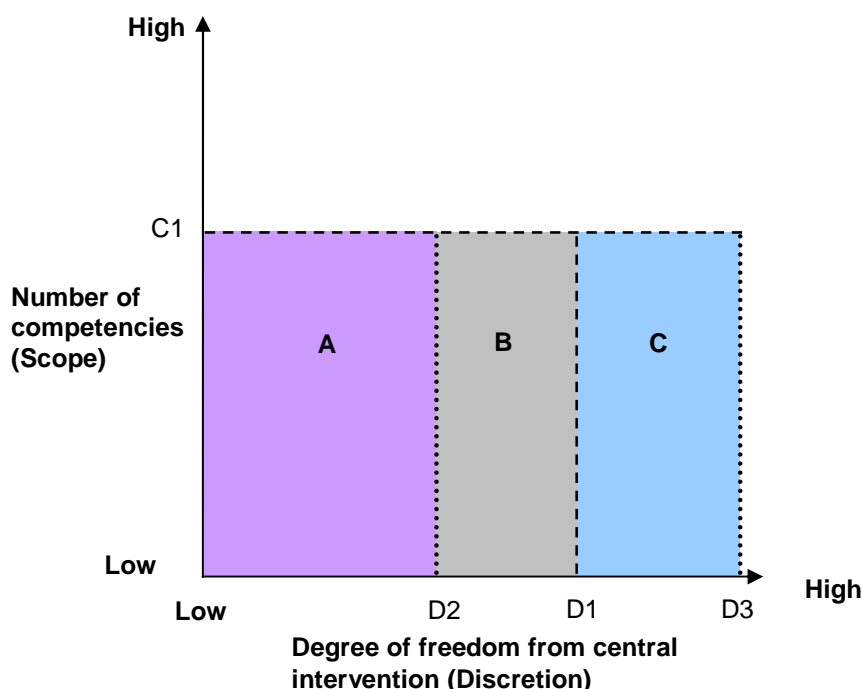
¹¹ It should be noted that the study will interchangeably use the terms 'Executive' and 'Government' to denote the executive branch of the Scottish Parliament. Preceding the election victory of the SNP in 2007 the executive branch of the Parliament was referred to as the 'Scottish Executive'. Since 2007, the SNP have somewhat provocatively changed the name to the 'Scottish Government' to reflect their desires for more Scottish self determination.

¹² The freeze was specifically meant to stop further Council Tax increases. Nevertheless, on the agreed central package for this freeze it seems highly unlikely that local authorities can make the efficiency savings in over the next three years to provide any sort of Council Tax reduction.

term¹³. Even discounting the Council Tax freeze one can argue that Scottish local authorities do not exercise full discretion over their competence to tax with the centre having the power to ‘cap’ council budgets if they are considered to be excessive resulting in a *de facto* limit on Council Tax rates (McConnell 2004a). As will be delineated in more detail in chapter 4, the Council Tax example is just one of many whereby local authorities in Scotland have *in principle* the scope, or competencies, but lack the necessary discretion for the competencies to mean much *in reality* vis-à-vis local autonomy.

The point to be made, therefore, is that in terms of autonomy scope means very little without some corresponding degree of discretion. Discretion, however, can increase and decrease autonomy without corresponding changes in scope. Nevertheless, we should be clear that a local authority can only ever have limited amounts of autonomy if, for instance, it has very little scope. Put differently, whilst discretion appears crucial to local government autonomy (and it largely is) once the full extent of discretion is reached within the given amount of scope then the only way for local autonomy to increase is through increases in scope with a corresponding degree of discretion. This logic has been modelled below.

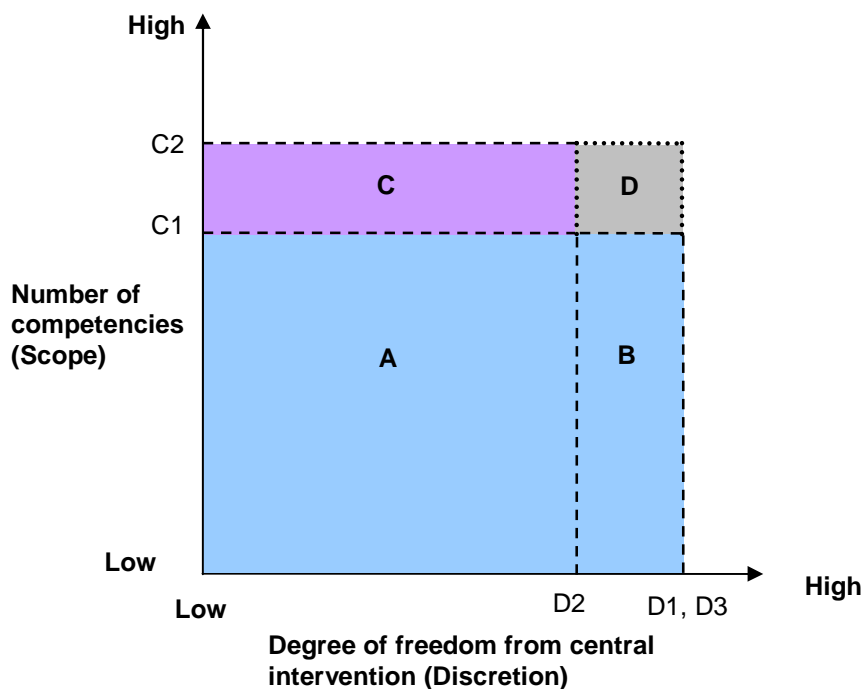
Figure 1. Measuring local government autonomy: variable rates of discretion



¹³ A comparative example would be that of fiscal autonomy in Denmark, Germany, and Sweden. All of these countries are examples *par excellence* where *in principle* they are either statutorily or constitutionally guaranteed a high degree of fiscal competence (that is, they have a substantial amount of revenue raising and spending power), but *in practice* are subject to a number of checks and restraints which diminishes

Figure 1, above, models changes in local government autonomy (this can be either fiscal, policy, or both collated) vis-à-vis variable rates of discretion and static rates of scope. Where scope is at point C1 and where discretion is at D1 total autonomy, *ceteris paribus*, will equal the total area A and B. If local government discretion was to increase - let us assume for simplicity that the centre reduced its intervention in local tax raising - then the vertical line representing the limits of discretion would perhaps shift right from D1 to D3. In doing so, the total area between C1 and D3 would increase (A+B+C) and thus overall autonomy would increase. If, however, local government discretion were to decline - let us assume for simplicity that the centre increased its use of ring fencing across a range of policy fields - then the vertical line representing the limits of discretion would perhaps shift to D2. In doing so, the total area between C1 and D2 would decrease (A+B+C-B-C) and thus overall autonomy would decline.

Figure 2. Measuring Local Government Autonomy: variable rates of scope



We have already described using figure 1 how changes in discretion effect autonomy when scope is static so let us now look at how variable rates of scope effects autonomy when discretion remains static. Figure 2, above, models changes in local government autonomy vis-à-vis variable rates of scope and discretion. If we say that total autonomy is equal to the

area under C1, D1 then total autonomy is equal to A+B (the entire blue shaded area). Let us now assume that the centre increases the scope of local government by providing it with an extra competence – let us assume for simplicity that water and sewerage has been removed from Scottish Water and returned to local authorities – but nonetheless does not provide any significant discretion to accompany this competence – the centre directs policy and ring fences funding wanting to use the local level more like an agency. In the event that this happens we would expect the horizontal line representing the limits of scope to shift upwards from C1 to C2, *but we would also expect the vertical line representing the limits of discretion to shift left from D1 to D2 designating a drop in discretion*. The shift from D1 to D2 would take place because overall discretion would decline if a competence was added *without the requisite accompanying discretion*¹⁴. The result would be that total autonomy would remain the same: $A+C = A+B$.

In order for overall autonomy to increase, and thus discretion remain static, the centre would have to provide the requisite discretion with the new competence. If, theoretically, the local level is provided with a new competence and is given full, or almost full, discretion over this competence then the horizontal line C1 would shift upwards to C2 and the vertical line D1 would remain static: we shall now call this D3. As a result the area under C2,D3 is larger than C1,D1 because $A+B+C+D > A+B$. As such, overall autonomy can be said to have increased when there is an increase in scope and an accompanying increase in discretion, but there is no overall increase in autonomy when there is only an increase in scope without the requisite increase in discretion.

Research Methods

Three main methods were employed in the research of this study. Firstly, extensive desk research was conducted which covered a wide range of literature including official publications from the Scottish Executive/Government, UK Government publications, and local government publications. A range of academic peer reviewed publications from amongst other things the public choice, fiscal federalism, local government studies, and decentralisation and devolution literature were also consulted.

¹⁴ In other words, an increase in scope without the requisite discretion would cause the overall discretion budget to decline.

Secondly, in-depth face-to-face interviews were conducted at the Scottish Parliament during the week of the 14th to the 18th of January 2008. Originally, 10 MSPs (Member of the Scottish Parliament), two from each of the main political parties, were invited to participate. Unfortunately, however, no MSPs from either the Scottish National Party or Labour Party were willing to participate in the interviews. Nonetheless, two Conservatives, Two Liberal Democrats, and one Scottish Green were willing to participate. In light of this, Chapter 4 does not use the interviews to make generalisations in their own right. But rather, the chapter uses the interviews to ratify or refute the evidence found in the literature. As it happens, the research evidence from the literature largely reflected the views of the MSPs interviewed. Whilst the interviews were agreed to on the principle of anonymity, non-attributable (other than Party affiliation) transcripts can be accessed from the author.

Thirdly, a survey was sent to all of the Chief Executives of each 32 local authority in Scotland. The rationale behind surveying Chief Executives was intuitive: they are part of the corporate body of local government and as such must remain non-partisan in their evaluation of their local authorities. This was thought to provide a balance to the more partisan responses from the MSPs. As stated, there are 32 local authorities and there is a Chief Executive for each authority. The response rate was somewhat disappointing at approximately 31 percent (10 participated in the survey). As such, the results from this survey have been used tentatively, and like the interview results, are not used solely to make a point but rather to back up the more robust evidence from the literature.

Finally, it should be stated that there was one further minor research method used to help guide the overall research process and to further inform the author's thoughts on the study. Unstructured face-to-face interviews were conducted with two academic experts in the field of Scottish local governance and Scottish public policy making.

2. Local Government in Scotland

Local government in Scotland, as throughout the UK, is a complex affair. Ask the average person in Scotland what they know about local government and they will most likely tell you three things. Firstly, that their council tax is too high. Secondly, that local government is a big employer. Thirdly, that they elect their councillors. What most people will not know is how local government is actually financed¹⁵, what policy areas - and to what degree - their local authority is charged with, whilst it would be surprising if most could tell you something about other local authorities, such as the number of Councils in Scotland. The point to be made is that whilst those concerned with issues of public policy or indeed for political scientists how local government is structured, how it functions, what powers it has, and how it is financed may seem obvious to the point of banality, there will be nevertheless a lot of people both inside and outside of Scottish society to which these issues are not so clear and perhaps not so banal.

As such, it is the purpose of this chapter to shed some light on the complexities of Scottish local government. This is important for two reasons. Firstly, the complexity of local government, and sometimes the descriptive tedium, should not distract from our appreciation of how important local government is within the Scottish political landscape. The fact that we directly elect our councillors guarantees the democratic and legitimate nature of local government and “ensures that they are not merely outposts of central government or quangos subject to the discipline of central appointment and policy direction but enjoy, or ought to enjoy, the autonomy that separate election justifies” (Himsworth 2006: 164). Further to this, Scottish local authorities are big employers, approximately 10 percent of all Scottish jobs and 45 percent of all public sector jobs are based in local government (McConnell 2004b: 1). Local authorities are also big spenders. The Scottish Budget Spending Review 2007 states that the Scottish Government has set aside 33.57 percent, or £11,137 million, of its entire budget for local government over the 2008-2009 period and 33.62 percent (£11,992 million) for the period 2010-2011 (Scottish Executive 2007).

The second reason why it is important to be clear on the functioning of local government is quite simply that we need to be aware of the ‘ins and outs’ of any subject that we are studying. Throughout this study there will be numerous discussions and references made to

¹⁵ And the small contribution the council tax makes to the overall revenue of local authorities.

the structure, financing, and the policy making role of local government in Scotland that we need to be aware of.

The structure of local government

Currently Scottish local government is organised along the lines of 32 unitary (or single-tier) local authorities. The diversity between the 32 authorities is considerable with area size, population density, and per capita wealth varying greatly between each local authority. This diversity has been captured in table 1 below where the local authorities at either end of the scale in each of the delineated categories are highlighted.

Scotland has had the unitary structure of 32 local authorities since 1996 after the introduction of the Local Government etc. (Scotland) Act 1994. This was the third reorganisation of local government in Scotland in the twentieth century. The first significant reorganisation of the twentieth century occurred in 1930 after the Local Government (Scotland) Act 1929 established a complicated array of burghs, authorities, and cities. As Herbert (2007:3) states it, there was “a complex structure of local authorities post-1929 which consisted of 4 Counties of Cities (all purpose authorities), 21 Large Burghs (exercising all powers but education and valuation), and 176 Small Burghs (with functions of housing, sanitation, streets, licensing of public houses and amenities. In addition there were 33 County Councils and Joint County Councils which shared authority with the Burghs”. Prior to the 1930 reorganisation local governance took the shape of Royal Burghs with County Councils being introduced in 1889 (Ibid).

By the 1960s, however, the overly complex system devised in the pre WW2 period came under increasing strain. Post War Britain saw a new political consensus between the main political parties which supported Keynesian economic policy and a more interventionist role by the State. The result was that local government needed to be streamlined in order to meet the increasing demands placed upon it particularly in the areas of education, housing, and public health (Himsworth 2006). Resultantly, the UK Government set up a Royal Commission in 1966 under the chairmanship of Lord Wheatley. As McConnell (2004b: 48) asserts, “[t]he tone of the Wheatley report was not only supportive of a more integrated system, but was also in favour of shifting the balance of power away from the Scottish Office and Westminster, towards local authorities”. The findings of the report were taken on board by the UK government and four years later the Local Government (Scotland) Act 1973 came

into force with local government being reorganised into a two-tier system of 9 regional councils, 53 district councils, and three all-purpose island councils in 1975¹⁶ (Herbert 2007).

Table 1. The 32 Scottish local authorities: area size, population size, and median income.

	Area (sq km)	Population (est. 2006)	Median Income (% of Scotland)
SCOTLAND	77,925	5,116,900	100.0
Local Authorities			
1. Aberdeen City	186	206,880	106.5
2. Aberdeenshire	6,313	236,260	108.5
3. Angus	2,182	109,320	96.3
4. Argyll & Bute	6,909	91,390	97.3
5. Clackmannanshire	159	48,900	99.7
6. Dumfries & Galloway	6,426	148,030	96.1
7. Dundee City	60	142,170	94.4
8. East Ayrshire	1,262	119,290	103.1
9. East Dunbartonshire	175	105,460	115.0
10. East Lothian	679	92,830	100.2
11. East Renfrewshire	174	89,290	117.6
12. Edinburgh, City of	264	463,510	112.8
13. Eilean Siar	3,071	26,350	93.3
14. Falkirk	297	149,680	96.2
15. Fife	1,325	358,930	97.9
16. Glasgow City	175	580,690	92.5
17. Highland	25,659	215,310	91.7
18. Inverclyde	160	81,540	90.2
19. Midlothian	354	79,290	93.6
20. Moray	2,238	86,750	89.0
21. North Ayrshire	885	135,490	90.3
22. North Lanarkshire	470	323,780	92.9
23. Orkney Islands	990	19,770	89.8
24. Perth & Kinross	5,286	140,190	101.7
25. Renfrewshire	261	169,590	100.0
26. Scottish Borders	4,732	110,240	90.1
27. Shetland Islands	1,466	21,880	92.6
28. South Ayrshire	1,222	111,670	116.2
29. South Lanarkshire	1,722	307,670	102.2
30. Stirling	2,187	87,810	111.3
31. West Dunbartonshire	159	91,240	91.8
32. West Lothian	427	165,700	91.2

Sources: General Register Office for Scotland (2007), Scottish Executive (2007a: 116)

¹⁶ It should be noted that whilst the two-tier system was supported by Wheatley, the actual recommendations of the report were that local government should be organised along the lines of seven large regional councils and 37 district councils. The final outcome of 9 regional councils, 53 district councils, and 3 all-purpose island councils was the result of party political negotiation and compromise (see McConnell 2004b: 49).

The structure created with the 1975 reorganisation lasted around two decades until the current system of 32 unitary authorities was created. The reasons given for the most recent structural reform by the Conservative government has been perhaps the most questioned of any major reorganisation of local government in Scotland. The Conservative government justified the reorganisation along purely functional lines and couched it in the terms of NPM. The reasons included, firstly that the two-tier structure was confusing and not especially clear or transparent to ordinary members of the public. Secondly, by merging the two-tiers into a unitary tier considerable efficiency gains could be made. Thirdly, the reorganisation would enhance the capacity of local authorities to act as enablers¹⁷. Finally, the two-tier structure encompassed some regions which were too big and remote for democratic and effective governance: the Strathclyde region, with over half of Scotland's population, was an example *par excellence* (McConnell 2004b, Himsworth 2006). Nevertheless others, particularly those who belonged to the Labour Party and latterly some academics, have questioned the motives for the reorganisation. Many have suggested that the 'real' impetus behind the 1996 reorganisation was party politically motivated: that is, the reorganisation was a case of gerrymandering (Midwinter 1995, McConnell 2004b, Herbert 2007).

In many ways the original intention of simplifying local government and bringing it all under one unitary tier has not been realised. As is clear from table 1 due to the large number of local authorities covering a relatively small Scottish population many of the authorities are simply too small to provide certain services effectively and efficiently on their own. This, for example, is the case for fire and rescue services and policing. Analogously, throughout the 1980s and 1990s a commitment to the teachings of NPM meant that a number of services were removed completely from the hands of local government and turned over to quangos. Scottish Water is one such example which now deals with water and sewerage throughout Scotland. It can therefore be argued that "the relative simplicity of large locally-elected authorities has given way to governance by networks of public, semi-public and private organizations" (John 1997: 255). McConnell (2004b) identifies four examples of service provision beyond the unitary authority. They have been summarised in table 2 below.

¹⁷ Service enablers opposed to service providers. That is, local government which would out-source and oversee contracts rather than directly provide the services themselves.

Table 2. Service provision beyond the unitary authority: arrangements, committees, boards, and quangos.

Contract Agreements	“...where one council enters into a contract with another in order to assist in the discharging of certain functions. This happens particularly in specialist psychology, educational and social work areas where some councils are too small to be able to employ full-time permanent staff in these fields”.
Joint Committees	“...where authorities share the costs and responsibilities for particular roles. For example, 13 local authorities in the east of Scotland have created the non-statutory East of Scotland European Consortium to co-ordinate and maximise their access to EU funding”.
Joint Boards	These “are joint boards with cross-authority membership and which share statutory provision for certain services. Notable examples are fire boards and police boards”.
Quangos	“...some services were removed completely from the remit of elected local authorities. The highest profile is water and sewerage which was removed to three independent water authorities (latterly amalgamated into Scottish Water)...Other non-elected bodies were based around functions previously conducted by local authorities including the Scottish Environment Protection Agency (SEPA) and Scottish Children’s Reporter Administration (SCRA).

Source: Quoted in McConnell (2004b: 58-59)

The legal position, powers and functions of local government

Compared to some of its European or transatlantic contemporaries, local government throughout the UK has somewhat of a precarious constitutional position and is legally quite constrained. Firstly, local government is not constitutionally guaranteed, instead it is a creature of statute and thus its existence can be extinguished by legislation as easily as it was created by legislation. Secondly, the actual powers and functions of local authorities, what local authorities can and cannot do, are also derived from statute, normally enumerated within Acts of Parliament. As such, local authorities must walk a thin line between acting *intra vires* (literally ‘within the powers’) and not acting *ultra vires* (literally ‘beyond the powers’), for to act *ultra vires* exposes the actions of local authorities to judicial review. Walking this line, however, may not be as easy as it seems especially when the line does not always remain perfectly still. Indeed Himsworth (2006: 159) asserts that “in the recent history of local government, [the principles of *ultra vires*] have been thought to operate very restrictively against local authorities in such a way as to curb local enthusiasm and initiatives”. Loughlin (1996), for instance, refers to the ‘juridification’ of central-local government relations throughout the 1980s and into the early 1990s, whereby the tacit

norms which governed central local relations were increasingly substituted by judicial review.

There has, however, been some degree of flexibility granted to local government in recent years. Following recommendations made by the McIntosh Commission the Local Government Act 2003 not going as far as a power of 'general competence' - as enjoyed in France, Sweden, and Denmark and lobbied for by COSLA - nonetheless permits local authorities under Section 20 "to do anything which it considers is likely to promote or improve the well-being of (a) its area and persons within that area; or (b) either of those"¹⁸. It should be noted, however, that although the power to promote well-being grants local authorities some degree of extra statutory flexibility it nevertheless seems, in the words of Himsworth (2006: 171), "unlikely in practice to unshackle local authorities from the discipline of judicial control". Section 22 of the Act, for instance, states that Section 20 (power to promote well-being) should not "enable a local authority to do anything which it is, by virtue of a limiting provision, unable to do...shall not be exercised in a way which unreasonably duplicates anything which may or must be done in pursuance of a function...enable the doing of anything which may be done under the Local Authorities (Goods and Services) Act 1970...enable a local authority to do anything for the purposes of enabling the authority to raise money by levying or imposing any form of tax or charge, by borrowing or otherwise...[must not] without the prior consent of the Scottish Ministers, do anything[...]outside the United Kingdom for the purpose of promoting or improving the economic development of its area".

Having outlined the legal basis of Scottish local authorities (Table 3 below provides an overview of the legislative framework within which local authorities must act) we should now turn to the powers and functions which the legal framework expects and permits local authorities to discharge. Looking firstly at the powers of the 32 local authorities McConnell (2004b: 15) asserts that there are two broad types of powers which the authorities hold. The first set of powers can be defined as 'mandatory powers' which are powers local authorities must exercise in order to provide services which they are statutorily required to provide. This would include providing fire cover, education, social welfare, and securing Best Value (Ibid). The second set of powers can be defined as 'permissive powers' which

¹⁸ In promoting the well-being of its area and its people the Act permits local authorities to "(a) incur expenditure, (b) give financial assistance to any persons, (c) enter into arrangements or agreements with any person, (d) co-operate with, or facilitate or co-ordinate the activities of any person, (e) exercise on behalf of any person any functions of that person, and (f) provide staff, goods, materials, facilities, services or prosperity to any person".

each of the 32 local authorities can statutorily exercise but which they are not obliged to exercise. This would include, for example, promoting arts and tourism, and economic development (Ibid). In exercising their mandatory and permissive powers whilst remaining *intra vires* local authorities in Scotland have three broad functions: provider, regulator, and enabler.

Act of Government	Description of Legislation
<i>Local Government (Scotland) Act 1973</i>	Legislation implementing the two-tier structure of local government which was later abolished in 1996, and established the Local Government Boundary Commission for Scotland and Accounts Commission for Scotland. The Act has been substantially amended but substantial elements remain in force (for example, provisions relating to local government finance and the role of community councils).
<i>Civic Government (Scotland) Act 1982</i>	Details the regulatory and licensing functions of local authorities in relation to a range of activities such as taxi and private hire vehicles, street traders etc.
<i>Local Government Act 1988</i>	Introduced Compulsory Competitive Tendering (now replaced by Best Value) and a range of other miscellaneous provisions.
<i>Local Government and Housing Act (1989)</i>	This Act has also been substantially amended although some elements remain in force such as provisions dealing with the procedures of local authorities in relation to party political organisation and the appointment of staff.
<i>Local Government Finance Act 1992</i>	Legislation to introduce the council tax.
<i>Local Government etc. (Scotland) Act 1994</i>	Legislation to introduce the current structure of 32 unitary local authorities.
<i>Local Government in Scotland Act 2003</i>	The 2003 Act placed a duty to secure best value on local authorities, placed community planning on a statutory basis and provided local authorities with a power 'to advance well-being'.
<i>Local Governance (Scotland) Act 2004</i>	The Local Governance (Scotland) Act 2004 provided for the election of Councillors via the Single Transferable Vote (STV) system of election to multi-member wards consisting of three or four members. In addition the Act also established remuneration arrangements for Councillors and provided for severance payments to be made to Councillors who were not standing for election at the 2007 election.

Source: Herbert (2007: 5)

1. Provider: Scottish local authorities are providers in three main ways. Firstly, they provide public services either directly as the sole provider or more indirectly through joint boards as is the case with fire and rescue and police services. The services they provide cover a wide range of activities including, though clearly not only, education, social work, economic development, housing, leisure and recreation, and refuse and recycling (Herbert 2007: 5). As the direct provider of services the local authorities are often acting more like

administrative branches of central government discharging their mandatory powers and striving, under some degree of central regulation, to meet centrally determined targets.

Somewhat differently, local authorities are also providers of strategic planning at the community level. They are charged with setting out the long-term strategic plan and objectives of their communities and in doing so identifying the needs and aspirations of the local community whilst working jointly with other public bodies and agencies to meet these goals. The Local Government in Scotland Act 2003 somewhat expanded the strategic planning role of local government in terms of promoting 'well-being' and Community Planning (McConnell 2004b). Finally, local authorities are also providers of community leadership. Each of the 32 local authorities are directly elected and either through direct election or other processes of civic engagement such as focus groups, councillor surgeries, citizens' juries, and surveys attempt to respond to the demands of their communities.

2. Regulator: Local authorities regulate a number of functions and activities within their communities including setting and monitoring environmental and health and safety standards. Local authorities also issue licenses for a plethora of activities including public houses (pubs, bars, and nightclubs), cinemas, taxis, and shops.

3. Enabler: With the wave of new public management that swept across the UK public sector during the 1980s and early 1990s there was a transformation of local government in many instances from being the direct provider of services to the 'enabler' of services. By enabler what is meant is that the local authority is no longer directly providing the service but rather tendering out the service provision to private and sometimes voluntary organisations¹⁹. As such, the local authority 'enables' the service provision by paying for it and often regulating it without actually delivering itself.

One example *par excellence* of this transformation from provider to enabler was the introduction of Compulsory Competitive Tendering (CTT) which began tentatively with legislation in 1980 but soon expanding with the Transport Act 1985 and the Local Government Act 1988. Described by Ball et al. (2002:9) as "the 'high water mark' of the Conservative approach predicated on the belief that the discipline of the market was a precondition for the efficient management of the public services", CTT started small with the

¹⁹ Meals on wheels, a community care home catering programme run for the elderly, is one such example of where some local authorities in Scotland pay for the service to be delivered but the actual service will be provided by a voluntary organisation.

tendering out of manual and blue collar activities such as grass cutting, street cleaning, and grounds maintenance, and expanded to managerial and white collar activities such as legal services and financial administration (John 1997). Since devolution, CTT has been replaced by 'Best Value'. In essence Best Value is somewhat similar to CTT in that they are both centrally-determined statutory requirements which orientate around the idea of cost effectiveness and efficiency. The Local Government in Scotland Act 2003 states in Section 1, subsection 3, that "in securing best value, the local authority shall maintain an appropriate balance among (a) the quality of its performance of its functions; (b) the cost to the authority of that performance; and (c) the cost to persons of any service provided by it for them on a wholly or partly rechargeable basis". In doing so, local authorities must be cognisant of efficiency, effectiveness, economy, and the need to meet equal opportunity requirements (Local Government in Scotland Act 2003, sec1.4).

Funding local government

Arguably one of the most complex and debated issues of Scottish local government is local government finance. As McConnell (2004b: 179) observes, "review of local government finance is a never-ending process, tied in with political disputes between the Scottish Executive [now Government] intent on exercising its powers over what it sees as the national interest and local authorities arguing that the national interest is best served by enhancing local autonomy". The amount of fiscal autonomy enjoyed by local government has been gradually eroded throughout the last century with local authorities raising 90 percent of their revenue locally in the 1900s whereas now they raise only 20 percent with central government providing, in the form of transfers and grants, the other 80 percent (Himsworth 2006: 161). The Layfield Commission argued in 1976 that the grinding centralisation of local government finance should be reversed with an increase in tax setting and tax raising powers being fundamental in ensuring local accountability. The report stated, "if local authorities are to be accountable they should be responsible to their electorates for both the expenditure they incur and the revenue they raise to finance it" (Layfield 1976: 245).

Over two decades later the McIntosh Commission (1999) was established to consider how to build relations based more on partnership between the Scottish Parliament and local government whilst also considering how to make local government more democratic and accountable. Whilst local government finance was not part of the McIntosh Commission's

brief it did, nevertheless, make some tentative recommendations on the state of local government finance. The McIntosh Commission asserted that “it would be better if councils were in the position of raising a much higher proportion of revenue locally” (McIntosh Commission 1999 chp. 3 para. 55) whilst it went on to “recommend that an independent inquiry into local government finance should be instituted immediately” (McIntosh Commission 1999 chp 3. para. 57). The Scottish Executive rejected the call for an independent inquiry into local government finance. Nevertheless, the Local Government Committee disagreed with the Executive and instigated its own inquiry. Amongst the recommendations made it wanted to see a) a shift from the existing 80:20 split in funding to a more equal 50:50 balance, b) the non-domestic rate being returned to local control, c) the Executive considering the introduction of a local income tax, and d) a reduction in the use of ring-fencing (i.e. the use of specific grants). It was clear that the Local Government Committee supported an increase in fiscal autonomy for local government (SPICe 2002:8-9).

This chapter is not the place to go any further into this debate, instead this debate will be taken up again in later chapters. The above discussion rather serves to demonstrate how any discussion of local government finance is always value laden with a perpetual debate surrounding local government autonomy. Instead we now turn to look at local government revenue and expenditure.

1. Local Government Expenditure

In meeting their statutory obligations and exercising their powers, Scottish local authorities have two principle forms of expenditure, a) Revenue Expenditure, and b) Capital Expenditure. In the first instance, revenue expenditure funds the day to day running of local government operations. This includes expenses such as salaries and wages, utility costs, and supplies (SPICe 2002). Revenue expenditure accounts for the lion’s share of local government spending. During the financial period 2006-07 revenue expenditure accounted for approximately £16.9 billion or 90 percent of total gross local government spending (Scottish Government 2008a: 14). On the other hand capital expenditure accounts for a much smaller amount of local government spending. For the financial period 2006-07 capital expenditure accounted for approximately £2 billion or 10 percent of gross local government spending (Ibid). Capital expenditure is used to create or improve long term assets such as land or buildings.

2. Local Government Income

Revenue expenditure and capital expenditure each have their own sources of funding. **Revenue expenditure** is financed through five main sources of revenue. Three of these are centrally-determined grant allocations or transfers. This includes, a) a Revenue Support Grant (RSG); b) Specific Grants (also known as ring-fenced grants); and c) Non-Domestic Rate Income (NDRI) which is a rate poundage on businesses which is set centrally and collected by local authorities.

Broadly, the Scottish Government will calculate the spending needs of each of the local authorities using the 'client group' methodology and thereby deriving the Grant Aid Expenditure (GAE)²⁰. In assessing the GAE the Scottish Government will take a number of factors into consideration including the population of each authority, the population dispersion (there is for instance a massive gulf between the Highland authority and Dundee City), pupil numbers, standardised Mortality Rates, road lengths, and indicators of deprivation and crime rates (Ibid). The other two main sources of local government finance are not (completely) centrally determined but rather set, raised, and spent locally. These include the Council Tax and any charges (miscellaneous fees and rents) local authorities may implement. The ratio between the amount of local authority income which is either centrally determined or set and raised locally is still approximately 80:20 toward the centre. Revenue expenditure income accounts for approximately £19.1 billion or 95 percent of total income (Scottish Government 2008a: 14).

Capital expenditure is funded through four principle sources. These include, a) capital grants from the Scottish Government (this is not an allocation of money but rather a consent from the centre to borrow) (McConnell 2004b); b) revenue from the sale of assets (selling off of council housing, land and other buildings), c) European Union grants (there is a consortium of 13 local authorities in the east of Scotland who cooperate in order to maximise their access to EU funding), d) finance from collaboration with the private sector (a source of funding which was eagerly supported by successive Conservative government throughout the 1980s and 1990s but since devolution Labour Liberal Democrat governments at Holyrood have looked more toward public private partnerships (PPP)). Capital expenditure income accounted for approximately £1 billion or 5 percent of total income (Scottish Government 2008a: 14).

²⁰ The Grant Aid Expenditure is effectively the Scottish Government's assessment of how much all the local authorities will need to spend on services to meet their statutory obligations (Local Government Finance Review Committee 2006).

3. Controls on Local Government Finance

As would be expected there are a number of ways in which central government maintains some degree of control over local government finance. Firstly, there is the Accounts Commission for Scotland which audits each of the authorities, whilst they are legally obliged to produce annual summaries of their accounts (SPICe 2002). Secondly, there is 'Best Value'. As discussed in more detail above 'Best Value' statutorily requires local government to be efficient and cost effective in its operations. Thirdly, there are the capping powers of Scottish Ministers. If Scottish Ministers feel that the spending of a local authority is excessive then they have the power to cap that expenditure by reducing the authority's council tax level. As McConnell (2004b: 205) argues, "this is a subtle but important restraint on councils because it means that their budgetary plans may be adjusted in order to preempt intervention from ministers". Finally, central government can control local government spending through the use of specific grants by attaching funding to a particular programme or service for which the funding must be used and for no other purpose.

3. The Costs and Benefits of Increasing Local autonomy

“Decentralized choice in the public sector (as in the private sector) provides an opportunity to increase economic welfare by tailoring levels of consumption to the preferences of smaller, more homogeneous groups. More centralized decisions typically involve relatively uniform levels of consumption that circumscribe the diversity of outputs needed to accommodate differences in tastes”.

(Wallis and Oates 1991: 107)

Devolution brought about a paradigm shift in British governance. This paradigm shift was couched in terms of ‘democratic renewal’ and subsidiarity (Jeffery 2006). Therefore, it was about moving away from a highly centralised system of governance towards a more decentralised, or in the British rhetoric devolved, set of institutions which would better reflect local needs and aspirations. As highlighted in the introduction, on the Scottish side one can argue that this paradigm shift brought about a window of opportunity to enhance the role of local government. Until devolution, particularly during the 1980s and early 1990s when Conservative governments undertook painful (and some may argue necessary) measures in order to resuscitate British economic well-being, local authorities had become somewhat beleaguered by the increasing centralisation of power by Westminster through the Scottish Office. Through the participation and support of local authorities to the devolutionary process and the rhetoric of partnership and subsidiarity which was emanating from the centre things appeared ripe for change vis-à-vis central local relations.

Before, however, we go on to assess whether the centre did exploit this window of opportunity and devolve more autonomy to the local level the question remains: would this opportunity of change be for the better or the worse? In other words, would more autonomy at the local level be more advantageous for Scottish governance or not? Naturally, local government supported more autonomy but it can be argued that they have vested interests in having more power. The centre also, in principle, supported more autonomy at the local level but they needed to keep local authorities on side if devolution was going to be a

success, at least in the short term. The purpose of this chapter, therefore, is to evaluate by drawing on a range of literature from public choice, fiscal federalism, economic welfare, to decentralisation and public finance, the implications of more autonomy at the local level. In doing this we will explore potential costs and benefits of more local autonomy. Of course, such a discussion will have to remain to some degree theoretical which is why the chapter will also include a section on the implementation considerations pertaining specifically to the Scottish case.

Two definitional points should also be made. Firstly, the vast majority of the discussion in this chapter will refer more generally to 'autonomy' without specifically focusing on scope or discretion. There is a good reason for this: the literature does not make such a distinction, rather it simply assumes that if we are increasing autonomy at the local level, be it fiscal or policy, then this can be achieved by providing the local level with a certain degree of scope with the requisite amount of discretion.

Secondly, throughout the discussion to follow there will be an implicit distinction made between those 'public goods' or services which are local by character and therefore, theoretically at least, can be delivered and funded locally, and those public goods or services which are national in character. Clearly, it would not make sense to propose the decentralisation of national public goods, they are provided nationally for sound economic, management, or political reasons, whereas there is a compelling logic for the decentralisation of local public goods. The original idea of the local public good was first developed by Tiebout (1956) in his seminal theory of local expenditures. Tiebout (1956) countered Samuelson's (1954)²¹ findings and argued that there was a public good – the local public good – that if provided in a decentralised framework could on the provision that 'consumer-voters' were fully mobile be sensitive to demand. Following Tiebout's (1956) lead, therefore, when we talk of the costs and benefits of decentralisation we refer specifically to the decentralisation of local public goods. What can be determined as a local public good can be somewhat of a normative judgement²², but for our purposes here we can state, albeit broadly, that local public goods and services are not national in character and are goods and services which can be, theoretically at least, delivered and financed at the

²¹ Samuelson argued that it was not possible to reveal individual preferences for public goods.

²² Some, for example, may debate whether certain goods and services should be considered as public goods in the truest sense, either because they cannot be considered as non-rival and non-excludable, but also because some have ideological preferences for certain services such as education to be treated as a national good (cf. Gallagher et al. 2007:41-42 on 'Needs services', 'Protective services', 'Amenity services', and 'Facility services').

local level²³. Which policy fields that are finally chosen is an issue for policy makers but one where the sum of marginal benefits from local delivery *should* equal marginal costs (Oates 1999).

The benefits of increasing local autonomy

Whilst there are a plethora of benefits which can be thought of when considering devolving more autonomy to the local level, many of which were more than likely raised vis-à-vis devolution to Scotland, the policy of quality over quantity will be applied here and as such three main benefits will be focused on. It should also be noted that whilst the literature broadly focuses on the benefits of fiscal decentralisation it can be argued that implicitly we assume that there is some degree of policy-making autonomy which moves with fiscal decentralisation. It makes little sense to have some degree of freedom to fund policy fields over which one has no control!

1. Effectiveness and efficiency gains in service provision

It can be considered the holy grail of public service provision: providing services which are not only more effective but also more efficient. This is a difficult combination to achieve. It is of course always possible to make services more effective but at what extra cost? It is of course always possible to make services more 'efficient' but at what sacrifice in overall service quality? By providing local public goods and services as close to the 'consumer' as possible, so the argument runs, these goods and services will be better tailored to more specific and homogenous needs and preferences whilst asymmetries of knowledge between the provider and recipient can be circumvented. The result is goods and services which are more sensitive to local preferences and needs and where it is easier to focus spending in order to achieve a pareto-optimal outcome. Thus, goods and services will not only be more effective but also more efficient than uniform 'one-size-fits-all' levels of provision across all localities (Oates 1991, Oates 1999). This is referred to in the literature as the 'diversification hypothesis' (Thiessen 2004), and is more acute where preferences and needs are more diversified across localities²⁴. Indeed, there have been some empirical

²³ Examples of goods and services that could be considered would include education, police, fire and rescue services, refuse collection, and health care.

²⁴ This is particularly important in the Scottish case where there are significant regional differences both in terms of population density, area size, and wealth and between highly urbanised and rural areas. The differences in preferences and needs, for example, in Glasgow or Dundee will be quite different to a relatively rural prosperous area such as Perth & Kinross and even more so to the Highland region.

studies which have suggested that welfare losses through the uniformity of service provision across relatively diverse localities can be quite large (cf. Bradford and Oates 1975).

Whilst this sort of diversification can better tailor for the indigenous population of a locality, Tiebout (1956)²⁵ argued that such diversification, by providing a menu of outputs from which mobile 'consumer-voters' could choose, would also have cross-jurisdictional advantages. That is, by each locality having the scope and freedom to tailor goods and services and corresponding tax levels to specific needs and preferences a range of options across different localities could develop and thus highly mobile households could 'vote with their feet' and choose the locality which best suits their preferences in terms of the quality and level of goods and services vis-à-vis the (tax) costs of these services. As Tiebout (1956: 422) put it, "just as the consumer may be visualized as walking to a private market place to buy his [sic] goods, the prices of which are set, we place him in the position of walking to a community where the prices (taxes) of community services are set. Both trips take the consumer to market. There is no way in which the consumer can avoid revealing his preferences in a spatial economy. Spatial mobility provides the local public-goods counterpart to the private market's shopping trip".

The ability to 'vote with the feet' presents the other aspect of diversification through the decentralisation of the output of goods and services: that is, efficiency gains through horizontal competition. This argument, most closely associated with the literature on market preserving federalism (cf. Weingast 1995), states that because households will be willing to 'vote with their feet' there will be competitive pressures on localities to provide as efficient and effective public services as is possible. A local authority which 'over indulges' in public spending may run the risk of chasing away the most affluent and attracting the most dependent (Oates 1991, Oates 1999, Thiessen 2004). Analogously, Brennan and Buchanan (1977, 1980) developed the 'leviathan hypothesis' which states that tax²⁶ competition in decentralised settings can limit the growth of public sector spending because it breaks up the tax monopoly of central government and the "budget-maximizing or revenue-maximizing

²⁵ One concession that could perhaps be made vis-à-vis the Tiebout model is that individuals in practice are perhaps not as mobile as the economic model suggests. Tiebout's model relies solely on the fact that individuals will move out of economic considerations, giving little thought to social ties and commitments. Nonetheless, having said this, as Oates (1999: 1124) argues, "even in the absence of mobility, the efficient level of output of a 'local' public good, as determined by the Samuelson condition that the sum of the marginal rates of substitution equals marginal cost, will typically vary from one jurisdiction to another...[thus]...it most emphatically does not follow that there are no longer any significant welfare gains from the decentralized provision of public goods".

²⁶ We assume that this tax has some degree of fiscal-equivalence. That is, it goes directly to pay for services received (opposed to for example non-benefit taxes cf. Oates 1991).

politician-bureaucrat” (Brennan and Buchanan 1977: 258)²⁷. As Brennan and Buchanan (1980: 184) argue, “interjurisdictional mobility of persons in pursuit of ‘fiscal gains’ can offer partial or possibly complete substitutes for explicit constraints on the taxing power”.

2. Laboratories of innovation and best practice

In avoiding a ‘one-size fits all’ approach to providing public services increased policy-making and fiscal autonomy at the local level can provide the opportunity for developing ‘laboratories’ of innovation free from central intervention and harmonisation (Oates 1991). If goods and services are provided on a smaller-scale then there is more opportunity for experimentation, innovation and best practice than if goods and services are centralised and uniform. The reasons for this are intuitive: a) if innovation and experimentation is conducted on a smaller scale then it is more viable than at the national level due to the ease of implementation and containment of problems; and b) there are always going to be leaders and laggards in different policy fields, therefore multiple laboratories of innovation and experiment provide more opportunities for best practice examples. Further to this, Salmon (1976) argues that if the citizens in one locality identify the performance of policies in another locality as being preferable to their own, pressures mount for policy makers to change policy. In the UK context, for example, we have already seen that policy innovation in one area of the UK has ‘spilled over’ to other areas. The introduction of the smoking ban and free bus travel for over 60s is just two examples of where policy innovation in Scotland has led to similar innovations in England and Wales.

3. Transparency and accountability

Transparency and accountability can be increased when the lines of separation between the centre and local government are clearer. One way of doing this is by treating local authorities more as *government* (as their elected status suggests) rather than mere *administration*. This can be achieved by decreasing central intervention at the local level and thus expanding local government discretion within the competencies it has been given. If central government becomes too heavily involved in local government then the lines of accountability between the centre and the locality can become blurred. For instance, if there is policy failure where there is some degree of incongruence in expectation between policy initiation, delivery, and funding, as can be the case with ring-fenced funding, which level is to blame: the central or local level?

²⁷ “This is what might loosely be termed a model of ‘Leviathan’. The citizenry has no effective or operational control over government, once established, beyond the constraints that are imposed at the constitutional level; in-period or post-constitutional fiscal decisions are made entirely by the budget-maximizing or revenue-maximizing politician-bureaucrat” (Brennan and Buchanan 1977: 258)

Analogously, Oates (1991) argues that local government should never become too reliant on centrally-determined grants if local government is to remain accountable to those that elect it for the tax money it spends. Oates (1991: 50) asserts that “while there is certainly an important role for systems of intergovernmental grants, an excessive reliance on such systems can undermine the autonomy and vitality of decentralized decision-making”. In a later paper Oates (1999) echoes an argument which has been reproduced often throughout the fiscal federalism literature: that is, by relying too heavily on centrally-determined grants the hard budget constraint, facilitated through democratic accountability from the electorate, is removed and thus the incentives for responsible local fiscal decisions decline. This is known as the ‘flypaper effect’: “money sticks where it hits” and the longer the chain of accountability the less incentive there is to hand it back (Oates 1999: 1129). As such, where local government raises more of the revenue it spends there is a clearer parallel to be drawn between what the public pay in taxes and what they receive in terms of efficiency and effectiveness of local public goods and services.

The costs of increasing local autonomy

Although there is a strong catalogue of benefits from decentralising more autonomy to the local level there are as with all policy changes some degree of negative externalities and costs which can arise. Two of the most persuasive cost arguments will be delineated below, whilst possible solutions are also offered.

1. Possibilities of increased inequalities between local authorities

Increased autonomy to the local level, particularly when accompanied by a greater emphasis on raising more of their own revenues, could lead to a so-called ‘survival of the fittest’ of local authorities whereby those authorities which are economically weaker and less innovative may struggle to compete with the economically more advanced and innovative authorities. From this perspective the idea of creating efficiency and effectiveness gains through horizontal competition between local authorities undermines the principles of social justice and equality. As one MSP who was interviewed for this study stated, “[o]ne of the most powerful arguments you can make in any political issue about service delivery and standards is to start talking about post-code lotteries” (Conservative MSP). The idea of post-code lotteries perfectly captures this critique: by virtue of the fact that an individual happens to live in a less competitive weaker authority will mean that the individual will have access to suboptimal goods and services, whilst another individual by virtue of their

residence in an economically stronger and more innovative authority will mean they have access to superior goods and services²⁸.

Problem negation: Whilst the benefits outlined above advocate increasing the autonomy of the local level, none of them require that the local level raises *all* of its revenue, in fact such an assertion would be quite absurd for a plethora of reasons not least in terms of macro-economic considerations. As such, local authorities can still have more discretion over revenue raising and spending than they currently do *and also have part of their revenue derived from centrally determined grants*. COSLA, for instance, has long campaigned for local authorities to have the discretion to raise 50 percent of their revenue whilst the centre provides the other 50 percent. Through such a system, whereby there is some degree of grant revenue, the centre can still implement a form of fiscal equalisation based on measurements of 'fiscal need' and 'fiscal capacity' (Oates 1999) and thus provide some degree of redistribution from the stronger to the weaker authorities. Some, for instance, have argued that these types of redistributive grants can help poorer localities to compete more effectively with the stronger localities (Oates 1999).

2. Slowing long-term national growth

Contrary to the oft-cited reason for decentralising fiscal competencies and discretion there are some who argue that such decentralisation will cause a slowing of long-term national economic growth because, as Thiessen (2004: 176) asserts, "it is more difficult for the central government to perform its stabilisation function. It is also more difficult to reduce chronic structural fiscal deficits in a decentralised governmental structure". In other words, by de-fragmenting fiscal authority across a number of localities one can inhibit the central government's control over monetary and fiscal policies by removing authority over a considerable amount of taxing and spending. As such, the central government is less well equipped to carry out its role of macroeconomic stabilisation.

Problem Negation: There is very little in the way of decisive empirical evidence to suggest that increased fiscal decentralisation does inhibit the central governments ability to carry out its role of macroeconomic stabilisation and that it slows long-term national growth. Indeed, there is counter-evidence which suggests that fiscal decentralisation actually provides

²⁸ Of course Tiebout (1956) would suggest that those individuals finding themselves in the weaker authority could just move. Nevertheless, we assume in this scenario that such a solution is not possible due to the financial feasibility of moving or due to community ties.

greater potential for increased macroeconomic performance vis-à-vis more centralised systems (cf. Huther and Shah 1998, and Shah 1997).

Implementation considerations

The hitherto discussion on benefits and costs of decentralising more autonomy to the local level has remained largely couched in the theoretical arguments presented in the literature. Therefore, we should now turn to some of the more practical implementation considerations which would arise from decentralising more autonomy, be it fiscal or policy, to the local level. It is important to state, however, that these implementation considerations should not be considered as 'extra costs'. They are not, for example, inherent failings in the logic of decentralising more autonomy to local government. Rather, they should be considered as investments made in order to more effectively reap the benefits from further decentralisation at the local level, and should also be considered as case specific: that is, implementation considerations will change from country to country. There are four main considerations for the Scottish case.

1. Number and scale of local authority boundaries

If local authorities in Scotland are to reap the benefits of more local autonomy then the boundaries of each authority have to strike the balance between being wide enough to reap the advantages of economies of scale and competition but also narrow enough in order to internalise the benefits and costs of service provision and also maintain some degree of 'localness'. The current system in Scotland with 32 unitary local authorities, some hugely different in terms of size and population density, are far from ideal if more decentralisation is to be effective. In Scotland, for instance, we already see that many of the services which are provided by local authorities cannot be efficiently and effectively supplied within the current structure. Instead, Joint Committees and Joint Boards bringing together groups of local authorities operate to provide such services as police and fire and rescue services. As McConnell (2004b: 58) argues, "the two-tier system has been abolished and replaced with a different form of two tier system, namely a surrogate upper tier rather than a directly elected one".

In an effort, therefore, that local government can better monopolise from the benefits of decentralisation, and also in an effort to make governance more directly accountable to the electorate than is currently the case with the 'surrogate upper tier', a review of the scale and

number of local authorities should be instigated. One possible solution would be to reduce the total number of local authorities whilst in some cases expanding the coverage of some authorities (an obvious place to start looking would be the odd arrangement of Falkirk Council, Clackmannanshire Council, and Stirling Council)²⁹. Newton (1982) for instance, compared the 'functional effectiveness' and 'democracy' of large and small authorities. Newton's conclusions were clear: "large units of local government are no less effective and efficient than small ones, and no less democratic" (Ibid: 191), he continues, "small is not as beautiful as commonly supposed, and big is not nearly so ugly" (Ibid: 206).

2. How best to raise local revenue

Discussions of increasing local government fiscal autonomy raise issues of how this extra revenue would be raised. The so-called 'tax-assignment problem' (Oates 1999) is widely debated in the public finance and fiscal federalism literature and is a highly complex, case specific, issue. Therefore, a debate surrounding which form of taxation would be most appropriate is clearly out of the scope of this study. Nevertheless, there are some general remarks which can be made about the different methods open to Scottish local government in expanding the amount of revenue they raise locally. Firstly, there is a menu of four main revenue instruments local government can employ to raise up to 50 percent of its revenue. 1) A Local Income Tax: this would be a tax on income set at the local level, with such a tax being supported by the Scottish Liberal Democrats. It should be stated, however, that the SNP also support a Local Income Tax but this version would see the levels of the taxation set centrally. In other words, it would be a Local Income Tax set centrally *but used for local purposes*. 2) A property tax: this is what is currently used in Scotland in the form of the Council Tax and is supported by the Scottish Conservatives as being the most appropriate way of raising local revenue. 3) An individual (Poll) tax: this is perhaps a less popular suggestion considering the debacle of the Conservative attempts to introduce a poll tax (the so-called Community Charge) which was seminal in the downfall of Prime Minister Margaret Thatcher in 1990. 4) A Land Value Tax: this option is currently supported by the Scottish Green Party and would be a tax set at the rental value of land.

Secondly, whichever method local government utilised to raise a sizeable amount of its revenue there would have to be some involvement with HM Treasury at the UK level. Shifting from a predominantly grants based system to a system where local authorities can

²⁹ Obviously Cities such as Aberdeen, Edinburgh, Glasgow, and Dundee may still be treated as individual authorities due to the position of being a highly urbanised conurbation and the different issues that arise from this.

raise around the 50 percent advocated by COSLA would involve a substantial tax increase levied by the local level and could only be financially feasible through one of two ways. Firstly, there could be a cut in the level of UK income tax paid by those living in Scotland which would provide 'tax space' for local tax raising. Secondly, the Scottish Government could utilise the so-called 'tartan tax', tax powers which allow the Scottish Government to raise or lower the UK tax level by 3 percent. This would create 'tax space' by lowering the UK income tax burden on Scottish tax payers by anything up to 3 percent.

3. Professionalisation of Councillors

With greater local autonomy more responsibility will follow. As such, a further implementation consideration should be the professionalisation of public office holding at the local level. In other words, the position of Local Councillor should be formally recognised as a full-time position with the requisite job profiling, expectations, and remuneration as is common place at the centre (and as the Kerley Report (2000) recommended). Currently, although the average weekly workload of a councillor is estimated to be 37 hours the position is still not formally recognised as a 'full-time' position with 44 percent of councillors in other paid employment (Scottish Government 2003).

4. 'Social-democratic' bias of Scottish politics and public policy

The final implementation consideration is that the fundamental premise of the benefits delineated above may not chime terribly well with Scottish political sensibilities. It can be argued that Scottish politics and policy making sits somewhat on the social democratic centre-left. The evidence which can be pointed to for this assertion is that, firstly, throughout the twentieth century Scottish politics was dominated by the Labour Party, traditionally a party of the social-democratic left³⁰. Indeed even at the zenith of Conservatism elsewhere in the United Kingdom, Scotland remained staunchly Labour. Secondly, since Scottish devolution the Scottish Parliament has seen the rise and fall of six political parties with five of these parties – Scottish Labour, Scottish Liberal Democrats, Scottish Socialist Party, Scottish Green Party, and Scottish National Party – all sitting on the political left or centre left. Only one party, the Scottish Conservatives, sit on the centre right of Scottish politics and by any definition Conservatism (with a big 'C') in Scotland is somewhat of an oxymoron. The point is that the benefits delineated above all have their foundations firmly planted in public choice ideas of competition and efficiency: ideas which often do not sit well with the

³⁰ However, until the transformation of Labour from 'old Labour' to 'New Labour' in the late 1990s many Labour councillors in Scottish local government during the 1970s and 1980s were of the so-called 'Militant Left'.

promotion of social equality and solidarity. They may work in the United States of America and Switzerland for example, but would they be accepted by the Scottish political elite?

Concluding remarks

What this chapter has attempted to highlight is that if central government, local authorities, and those that elect both levels are prepared to embrace more autonomous local government then there will be a number of significant benefits which, in theory at least, can be reaped. Firstly, more local autonomy can increase efficiency and effectiveness of local public goods and services by reducing asymmetries of knowledge so that expenditure can be targeted at needs and preferences, by tailoring service provision more closely to local demands than more uniform 'one-size-fits-all' approaches of the centre, and through horizontal competition between localities. Secondly, by providing local authorities with more scope and discretion to 'do it their way' laboratories of innovation can be harnessed for improving overall service provision and providing examples of best practice which can be emulated by weaker localities in each respective policy field. Thirdly, where more decisions are taken closer to those that elect there can be transparency and accountability gains. If we shorten the chain between where taxes are paid and where they are spent we can provide more accountable government. Analogously, where there is a high degree of *Politikentflechtung* the line of accountability can become blurred. We can make this more transparent by reducing the central pervasiveness at the local level.

This chapter has, however, also demonstrated that no such policy change can be made 'Scot free'. There are of course costs to be paid for more autonomy at the local level including the possibilities of increased inequalities *between* (opposed to *within*) local authorities, and other macroeconomic considerations. Nonetheless, as has been delineated it is possible to offset these costs with a range of problem negating measures. Finally, there are also a number of implementation considerations specific to the Scottish case that this chapter has considered. These include reviewing the number and scale of local authority boundaries, the best way to raise local revenue, professionalising the position of local Councillor, and how receptive the majority of the Scottish political elite would be to an approach which places so much emphasis on competition and differentiation.

As stated in the introduction, it is possible to think of more benefits, of more costs, and of more implementation considerations. Nonetheless, this chapter has focused on what the

author believes to be the most cogent of each argument. As such, it is quite clear that theoretically at least – we can never be fully certain whether these benefits and costs will transpire in the Scottish case – there is a strong case for decentralising more autonomy to the local level. We now turn to assess whether the Scottish Executive in the first eight years of devolution and the Scottish Government since 2007 have also embraced the idea of more autonomy at the local level.

4. Local autonomy post Devolution: *plus ça change?*

“The arrival of the Parliament represents a fundamental change in the political landscape within which Scottish councils in the future will operate. Although Parliament and local government each have a democratic base, the Parliament will have the ultimate power of determining what becomes of local government. The central issue is how the Parliament will use this power”.

(McIntosh Commission 1999: para. 17)

As has been delineated all the way through this study devolution brought with it a paradigm shift in Scottish governance which in turn opened a window of opportunity through which central government could enhance the role of local government. In the previous chapter we evaluated the costs and benefits of doing exactly this. The purpose of this chapter is to assess whether the central government acted on its promises and rhetoric of subsidiarity and its commitment to local government, making the most of the window of opportunity and thus decentralising more autonomy to local government. In short, ***is Scottish local government more autonomous post devolution?***

Local government autonomy in the first two terms: 1999 to 2007

At a glance it all looked rather promising for Scottish local government during the first two terms of devolution. Firstly, there was an increasing amount of rhetoric involving ‘partnership’. For instance, in May 2002 following one of the recommendations made by the McIntosh Commission the Scottish Executive and COSLA agreed to a Partnership Framework which would be based on “parity of esteem and the principles of subsidiarity purported in the European Charter of Local Self-government” (Himsworth 2006: 169).

Secondly, local government seemed to enjoy less confrontational and more constructive relations with central government. Jeffery (2006) has argued that there were four main reasons for this: 1) “things could only get better” (Jeffery 2006: 60). It would not be difficult to surpass the relations between predominantly Labour local authorities in Scotland and

radical Conservative governments at Westminster. Secondly, and analogously, there was a high degree of interdependence between the new centre and local authorities. As McAteer and Bennett (2005: 297) have found, in 1999 around 32 percent of MSPs had previously been a local councillor with this number increasing to 34 percent by the 2003 Scottish parliamentary elections. Thirdly, local government, through the representation of COSLA, had been instrumental in the SCC and therefore ensured local government input into the devolutionary process. Fourthly and crucially, local government access to the centre had increased with devolution, not only because there was a higher degree of interdependence but also because of the new geographical proximity of the centre to local government. Indeed McAteer and Bennett (2005)³¹ who conducted one of the most comprehensive studies into central local relations post devolution found that 75 percent of SOLACE (Society of Local Authority Chief Executives and Senior Managers) respondents described the Scottish Executive as more open to local government than the Scottish Office, whilst 53 percent of councillors thought the same.

Nevertheless, as Jeffery (2006: 62) states it, “[t]here is a rub. Access, interdependence, and structures for partnership do not necessarily have much to do with the protection of local government autonomy”, and in the case of Scottish local government in the first two terms this certainly appears to be the case. There are two reasons for this: 1) the Executive did little to change the status quo and enhance local government autonomy, and 2) there is a strong corpus of evidence which suggests some degree of creeping centralisation in the first eight years.

1. Sticking with the status quo: One way in which local government policy-making and fiscal autonomy could be enhanced would be through the reversal of many of the Conservative policies implemented in the 1980s and 1990s which either removed the control of certain policy-making competencies or fiscal powers, or reduced the discretion of local authorities within a given policy field or fiscal domain. Indeed it is well documented that throughout the 1980s and 1990s the vast majority of the moves to centralise local

³¹ McAteer and Bennett (2005) undertook their research in 2001. They conducted 120 interviews across 11 case studies local authorities questioning senior politicians and officers within the case study authorities and ministers within the Scottish Executive and senior civil servants in Edinburgh and Whitehall. They also conducted questionnaires surveying elected local councillors and members of four main local government associations including, the Society of Local Authority Chief Executives and Senior Managers (SOLACE), the Association of Directors of Education in Scotland (ADES), the Association of Local Authority Chief Housing Officers (ALACHO), and the Scottish Local Authority Economic Development Group (SLAED).

government policy-making and fiscal autonomy were strongly opposed at the time by the then Labour dominated local authorities (McConnell 2004a, Midwinter 2002).

Having said that, however, the evidence suggests that in the first eight years of devolution the Executive, of which the Labour Party was the majority partner, did little to hand back some of this autonomy to the local level. Take for instance, non-domestic rates. In the run up to the 1997 general election the Labour Party committed itself to handing back the control of non-domestic rates to local government. After the election they replaced this pledge with the promise of consultation (Midwinter 2002: 38). Eight years after devolution non-domestic rates remained with the centre. Similarly, the introduction of CTT was another

“Very little happened in the first eight years with ring fencing being continued and because the majority of local authorities in Scotland were Labour led and that there was a Lib/Lab administration in the parliament this situation wasn’t challenged”

(Green MSP)

example of a policy which reduced local government policy-making discretion. As with the removal of non-domestic rates to the centre Labour-led local authorities opposed the introduction only for a Labour-led Executive to replace CTT with ‘Best Value’ which by any definition is a variation on the theme of CTT (McConnell 2004a). As Ball et

al. (2002: 9) assert, “Best Value is symbolic here as New Labour’s replacement for compulsory competitive tendering (CCT), a policy that represented the ‘high water mark’ of the Conservative approach predicated on the belief that the discipline of the market was a precondition for the efficient management of the public services”, they continue, “Best Value can be interpreted as a top-down and all-pervasive concept” (Ball et al. 2002: 15): much like CTT.

It can also be argued that during this period the Executive did little to reverse the central pervasiveness of local government finance (and in some cases increased central control – see below). Whilst the Executive chose to ignore the McIntosh recommendations that a) local authorities should be responsible for raising more of their own revenue and, b) that an independent inquiry should be set up to review local government finance it would also appear that they ignored the Local Government Committee which instigated its own inquiry and, amongst other things, argued that the existing 80:20 split in funding should be more along the lines of a 50:50 balance. Needless to say, at the end of the first eight years the central local split of local government revenue remained 80:20. Indeed, even where local authorities raise their own revenue – the vast majority is through the Council Tax - local

discretion remained as limited in the first eight years of devolution as it was pre-devolution. As McConnell (2004a: 15) argues, whilst Scottish ministers “no longer set upfront expenditure guidelines [they still] retain power to ‘cap’ council budgets if they consider spending to be ‘excessive’”. This amounts to a *de facto* ‘capping’ of the Council Tax, because it places councils in the position of exercising self-restraint in setting Tax levels in the knowledge that Ministers (if they are unhappy with early indications) will cap budgets with the expectation that lower Council Tax levels will follow”.

McConnell (2004a) points to two further pieces of evidence which suggests that little changed vis-à-vis local government autonomy in the early post devolution period. Firstly, the demands made by COSLA were little different in the first two terms than they had been pre-devolution. COSLA were still canvassing for a 50:50 split in local government revenue, a less precarious constitutional position for local government, and a “genuine partnership

“I think local government saw the Scottish Parliament as a liberator since local government was predominantly run by the Labour Party. People in the Labour Party were under the delusion that as soon as they got rid of the ‘wicked’ Tories and as soon as they got their own parliament that all of a sudden things would be sweetness and light”

(Conservative MSP)

between two sets of government” (McConnell 2004a: 18). Indeed in a memorandum to the Local Government Committee of the Scottish Parliament COSLA argued that “if local government is to respond to local needs and to play an effective part in Scotland’s government it needs more responsibility for its finance. The local revenue base is simply too small. Local taxation should raise at least 50% of local government income if there is to be real accountability between a council and its electorate and an effective relationship with central government (COSLA 2001 quoted in Midwinter 2002: 37). Secondly, McConnell (2004a) assesses to what degree local government autonomy in a devolved Scotland has taken on a different path from local government in a non-devolved England. The short answer is that overall there was little difference between local government control and discretion both in terms of policy-making and fiscal autonomy in both Scotland and England. As such, McConnell (2004a: 29) asserts that “Scottish local government has not experienced the type of transformation hoped for by those who campaigned for a more vital local democracy, as part of a genuinely equal partnership between the Scottish Executive and local councils”.

However, there is one example in the first eight years of where the centre did expand the policy-making scope of local government. Specifically, the Local Government in Scotland Act 2003 increased local government policy-making competency by permitting local authorities under Section 20 “to do anything which it considers is likely to promote or improve the well-being of (a) its area and persons within that area; or (b) either of those”. Nevertheless, as laid out in detail in the previous chapter this power is heavily policed and does not go as far as a power of general competence which the McIntosh Commission recommended and which COSLA have repeatedly canvassed for. As such, whilst the power to promote well-being can be considered as a genuine handing down of policy-making scope the degree to which the centre can regulate this power means that the discretion of local authorities to promote well-being is rather circumscribed. In short, it can be argued that the lack of discretion dilutes the amount of control thus limiting the amount of overall autonomy this actually provides to local authorities. As McConnell (2004a: 13) argues the “limitations on these powers are extensive and amount to a dilution of ‘general competence’” (McConnell 2004a: 13). Gallagher et al. (2007:20) have argued, “[t]he power to promote well being is however circumscribed and may be largely symbolic in effect”.

2. Creeping centralisation: Whilst the evidence presented above demonstrates that the Executive by and large maintained the status quo vis-à-vis local government autonomy, it would be wrong to suggest that no change in local government autonomy took place in the first eight years. Indeed, there is a body of evidence which suggests that there was some degree of change in local government autonomy and these changes were of a centripetal nature: that is, there was a further shift of autonomy away from the local level. Indeed it is

“One of the major fears within local government circles prior to devolution was that the delivery of many key local government services would be centralised as a direct consequence of devolution. Among both the professional associations and councillors there was a strong majority who felt that central control had increased since devolution”

(McAteer and Bennet 2005: 300)

evident from research conducted by McAteer and Bennett (2005) and corroborated by interviews conducted with MSPs at the Scottish Parliament for this study that the Scottish Executive had a penchant for controlling what local government was doing and how it was doing it. For instance, McAteer and Bennett (2005: 291) found that 78 percent of the councillors interviewed as part of their research on central local relations in post devolution Scotland felt that the creation of the

Executive had increased interference in local affairs with this being an opinion held across all major parties. Analogously, when McAteer and Bennett (2005: 301) asked representatives

of the main local government professional bodies, council leaders, and non-office bearing councillors whether central control had increased since devolution the responses indicated an overwhelming 'yes'. The responses have been summarised in table 4 below.

	Agree	Disagree	Unsure
ALACHO (n=28)	78.6	7.1	14.3
SLAED (n=24)	69.6	21.7	8.7
ADES (n=52)	63.5	17.3	19.2
SOLACE (n=28)	57.1	7.1	35.7
Council Leaders (n=13)	85.0	8.0	7.0
Non-office-bearing councillors (n=57)	70.0	20.0	10.0

Source: McAteer and Bennett (2005: 301)

When McAteer and Bennet (2005: 300-301) asked in what ways the centre had infringed upon local government autonomy there were three main responses which consistently came up. Firstly, respondents felt that there had been an increase of central intervention in local government finance decreasing the discretion with which local authorities could act. Secondly, there had been in some cases the explicit removal of policy control (scope) with the direct centralisation of service delivery. Thirdly, the respondents felt that there had been some degree of 'backdoor centralisation' with local authorities losing control of some competencies to newly empowered quangos. The MSPs interviewed for this study all concurred with the McAteer and Bennet (2005) findings asserting that since devolution the discretion of local government had been reduced through a 'somewhat liberal' use of specific 'ring-fenced' grants, increased central direction of policy, and a general atmosphere of increased scrutiny with a centralist flavour. As one Conservative MSP stated it, "I think the history of the first eight years of the parliament is in fact of central government increasingly directing policy and using local government as the agencies for the delivery of that policy or trying to keep closer tabs on local government through the use of ring fenced funding and the setting up of funds for special projects".

Nevertheless, one major point which did arise from both the McAteer and Bennett (2005) research and the interviews with the MSPs was that although there had been no substantive handing back of scope and discretion, and although there was some evidence of a reduction in discretion due to a creeping centralisation of control, this had all not been "some crude lust for power" (Himsworth 2006: 165). Rather, as one Liberal Democrat MSP explained, "it

is not a deliberate ploy on behalf of the politicians. I don't think anyone sat down and said 'right actually never mind what the rhetoric was pre creation of the parliament'. I think it just happened somehow by osmosis". The MSP continued, "you have to look at both the public's level of expectation and where they expected things to happen. There was an enormous focus on the Scottish Parliament and I think its pretty clear that very quickly the mail bag of an MSP was very much along the lines: if its health its yours, if its education its yours. If a politician thinks they are responsible for the delivery of a service the politician starts to take decisions along those lines".

In other words, whilst there is evidence that there was a degree of centralisation in the first eight years of devolution, this erosion of local government autonomy was not so much a planned effort but rather a control mechanism used by the centre to deal with two major facts of devolution: 1) with devolution there was a considerable amount of attention on the new parliament and therefore a high degree of expectation and scrutiny on the performance of the devolved Executive , and 2) both the Labour Party and the Liberal Democrat Party, like any party in power, wanted to be seen to be delivering. McAteer and Bennett (2005:291) draw the same conclusions: they write, "such 'interference' may be attributed to the pressures that the Scottish Executive perceives itself to be under to 'deliver' to the electorate. Consequently it passes that pressure on to those upon whom it depends for delivery, in particular local government".

Changing the Guard: 2007 to present

In May 2007 there were elections to the Scottish Parliament which returned a minority SNP (Scottish National Party) government with 47 out of a possible 129 seats. Obviously in a period of less than a year and with comparatively so few seats we would not have expected the SNP to have brought about a dramatic change to the status quo vis-à-vis local government autonomy. Nevertheless, in the last ten months the SNP government have committed themselves to two substantial policy changes one of which *will* have a significant impact and the other *may* have a significant impact upon local government autonomy if it is actually implemented.

1. The Concordat between the Scottish Government and local government:

The Concordat signed in November 2007 by COSLA and the Scottish Government "sets out the terms of a new relationship between the Scottish Government and local government,

based on mutual respect and partnership. It underpins the funding to be provided to local government over the period 2008-09 to 2010-11” (Scottish Government 2007:1). Put differently, the Concordat sets out a package of reforms which through joint agreement between the Scottish Government and Scottish local government will redefine to some degree the principle agent relationship between the two levels³². One way in which it does this is through the introduction of Single Outcome Agreements (SOA), which based on national strategic outcomes set by the Scottish Government and within a common framework agreed on by both levels, provides targets - or outcomes - the Scottish Government would like to see local authorities attain. The important point of SOA is that the centre will provide considerable discretion to local authorities in how they attain these outcomes. In other words, the Scottish Government will no longer concern itself with *how* policy outcomes are reached, as this will now be the responsibility of local authorities, but will instead concern itself with *what* was delivered.

In essence, the introduction of SOA will have the effect of rolling back much of the central control and pervasiveness of the first eight years across a range of policy-making competencies and thus will increase local government autonomy by expanding its policy-making discretion. They also, however, through the combined reduction in the use of specific ‘ring-fenced’ grants decentralise some degree of fiscal discretion back to the local level. Indeed, according to the Concordat during the period 2007-08 these

“...the Government has sought to go further by substantially enhancing the role that local government plays. While the Scottish government must set the direction of policy and the overarching outcome, under the terms of the new relationship proposed in this package, it will stand back from micro-managing service delivery, thus reducing bureaucracy and freeing up local authorities and their partners to meet varying local needs and circumstances across Scotland”
(Scottish Government 2007: 1)

specific grants totalled £2.7 billion (including the Police Grant) of local government revenue. Through the reduction in the use of specific grants the Scottish Government has estimated that the level of ring-fencing during the period 2008-09 will have dropped to £0.5 billion with the expectation that this will be further reduced to £0.3 billion by 2010-11 (Scottish Government 2007: 3). It should be noted, however, that neither the Government’s estimation of £0.5 billion and £0.3 billion has the Police Grant included as a ring fenced item which will remain ring fenced during both of these periods. If we take that into consideration, whilst we cannot provide a specific figure, we can estimate that the cut in

³² There are five fundamental principles that underpin the development of the Single Outcome Agreement for these please see Appendix I.

specific grants will not in reality appear as large as the Government purports. Nonetheless, even with the Police Grant included there will still be a reduction in the amount of local government revenue which is pre-determined by the centre and ergo we can consider this as a bone fide expansion in local government fiscal autonomy.

The Concordat also states that for the first time local authorities will be allowed to keep the savings from efficiency drives. It states, “under the partnership offer, local authorities will be allowed to retain all of these [efficiency savings], to redeploy against ongoing pressures and address local priorities. This represents special treatment for local government. All other parts of the public sector will have an element of their efficiency savings deducted at source” (Scottish Government 2007: 6). This provides another way in which the fiscal autonomy of local authorities can be expanded by effectively providing them with another, albeit modest, revenue source which is raised by their efforts and spent according to their preferences.

Indeed judging from the responses of COSLA and the MSPs interviewed for this study it appears that there is broad support for the Concordat and the ways in which it expands local government policy and fiscal autonomy. COSLA (2007: 9), for instance, states that “[t]he Concordat does represent the beginning of a new deal for Scottish Local Government and clearly represents the best deal possible under the circumstances”. These sentiments were echoed by one Green MSP who said “COSLA have been delighted with the new administration getting rid of as much ring fencing as possible and giving councils a greater

“The SNP is proposing to cut taxes and spending and virtually eliminate local councils’ ability to decide their levels. Whether voters would see the spending cuts as a price worth paying for the tax cuts remains to be seen – the effects would be very different for different families and in different areas – but the trade-off would no longer be at the discretion of local decision makers”

(Institute for Fiscal Studies 2007)

control over their spending. It is a genuine handing down of power and judging from the amount of concern which has been raised you can see that people are well aware of how to use the new discretion they have just been given”.

Having said that, however, some of the MSPs interviewed did state that some caution was needed. One Liberal Democrat MSP who was a Minister in the previous Scottish Executive stated that whilst in principle they agreed with the introduction of SOA and the reduction of ring fencing they were nonetheless uncertain whether the degree of change and the speed at which the SNP have undertaken it will be achievable or whether service delivery will suffer as a result: the old adage ‘more haste less

speed' comes to mind. The MSP warned, "[i]t was not that the previous administration was opposed to this, the previous administration just had difficulty with how they were going to deliver this. We had the view if you introduced it all in one go you could lose control; I don't mean that in any dictatorial sense. The SNP have just taken the bull by the horns and said we will do it". Another (Conservative) MSP warned that a shift to SOA and the reduction of ring fencing could be "one of the brilliant wheezes of the SNP because by ending ring-fencing you can blame other people for failure. It's like passing the buck from the centre to the councils so it's like saying 'well we have given you all the money and you said you would do this and you haven't done it so it's not our fault it's your fault".

2. Freezing the Council Tax and introducing a 'Local' Income Tax: Unlike the proposals contained in the Concordat the other policy change vis-à-vis local government seems to have a contradictory and adverse impact on the fiscal autonomy of local authorities. In the last few months the SNP have proposed replacing the beleaguered Council Tax with a Local Income Tax. The SNP Government propose that this tax will apply at the starting, basic and higher rates to all taxable income except savings. The SNP have made clear that they would continue to levy a property tax on second and empty homes (Scottish Government 2008b).

Nevertheless, as would appear and as the critics of the policy point out although in name the proposed tax would be 'local', in practice it would be centrally set (at 3 percent) and raised for local purposes. As one Liberal Democrat MSP put it, "the current Government talks of local income tax, I think this is a completely wrong name. What they are talking about is income tax for other purposes they are talking about a set fixed rate by government that is a national Scottish income tax to be used for local purposes". Indeed, at the time of writing UK Ministers of Her Majesty's Treasury have claimed that the SNP's local income tax policy does not have a legal basis under the tax varying powers set out in the Scotland Act because the tax will be set and collected centrally and not locally (BBC 2008). It is for this reason that the SNP who have been courting the Liberal Democrat's for the requisite support they need in parliament have hitherto failed to find agreement with the Liberals who support a Local Income Tax which is controlled by local authorities. In short, if the SNP are successful in introducing their proposed 'local' income tax, which currently seems

arithmetically unlikely, then they will remove a central plank to local government fiscal autonomy and blur the lines of financial accountability at the local level³³.

In preparation for the introduction of a Local Income Tax the SNP Government have made available £70 million for local government if they freeze their Council Tax levels at 2007-08 levels for the next three years. According to the Government “the Council Tax freeze will work to shelter vulnerable individuals from further Council Tax increases as we work to address longer-term reform. It will also protect families and individuals from another increase in household costs at a time when fuel and food prices are rising” (Scottish Government 2008b: 1). Setting the rhetoric aside, however, what the subsidised freezing of the Council Tax does achieve is a *de facto* reduction in local government fiscal autonomy. Specifically, it removes fiscal discretion from local authorities who only currently raise approximately 20 percent of their own income with 50 percent of that now frozen at centrally-determined levels. Thirty-one of the 32 local authorities have agreed to freeze their Council Tax at 2007-08 levels with Stirling Council reducing their Council Tax charge. Arguably the centre left left them with little alternative to do otherwise, as one senior Councillor from Angus Council put it, “the implications of not going for a council tax freeze are pretty dire” (Myles 2008).

Concluding remarks

This chapter has assessed whether local government autonomy has increased since devolution. Starting with the first eight years the answer is a rather conclusive no: local government autonomy did not increase in the first eight years of devolution. The evidence suggests there were broadly two reasons for this. Firstly, with the inception of devolution there was a considerable amount of attention on the new Scottish Parliament and thus there was a high degree of expectation and scrutiny of the devolved Executive. Secondly, on top of these expectations both the Labour Party and the Liberal Democrat Party, like most parties in power, wanted to prove to the Scottish people that the new Parliament, but more specifically the new Executive (i.e. them), was delivering. Through a combination of these reasons, therefore, the evidence suggests that there were two trends in central local relations which emerged, neither of which was conducive to more local autonomy.

³³ An SNP Local Income Tax would increase the percentage of which local government revenue would be centrally determined. Because the Scottish Parliament's revenue is centrally determined by Westminster then we would see a scenario in Scotland whereby taxes would be paid to Her Majesty's Revenue and Customs then incorporated into the block grant Holyrood receives from Westminster whereby Holyrood would then further divide this into as further block grant for local government. The line of accountability would be considerably stretched.

The first trend was that the Labour/Liberal Executive did little in the first eight years to change the pre-devolution status quo vis-à-vis local government autonomy. Instead, amidst the rhetoric of closer working relations, partnership, and parity of esteem the Executive left in place most of the centralising reforms implemented by the Conservatives throughout the 1980s and 1990s which they had criticised whilst in local government during this time. Where they did make changes there were two results. Firstly, the Executive abolished the centrally pervasive CTT and replaced it with the equally centralist Best Value regime which by any definition is a variation on the theme of CTT. Secondly, the Local Government in Scotland Act 2003 provided local government with the new competence of a 'power to promote well-being'. Nonetheless, the centre curbed the discretion of this competence to such a degree as to render it almost valueless in autonomy terms.

The second trend was of creeping centralisation through the centre's attempts to micro-manage and control policy implementation at the local level. As such, both the empirical evidence and the interviews with MSPs repeatedly brought up the issues of ring fencing, increased central direction of policy, and a general atmosphere of increased scrutiny with a centralist flavour.

Since 2007, however, the evidence suggests two contradictory movements in local government autonomy. Firstly, the new minority SNP administration signed a concordat with local government which, broadly welcomed across parties and local government, goes some way in devolving more autonomy back to the local level. The introduction of Single Outcome Agreements, the reduction in ring-fenced grants, and the ability of local authorities to keep the savings from efficiency drives, all represent an expansion in local government discretion to operate within the competencies they have been charged with. Having said that, however, more recent developments in local government finance reduces rather than expands local government autonomy. Freezing the Council Tax at 2007-08 levels, regardless of whether this is the right policy decision or not, clearly reduces local government discretion to the degree to which it effectively removes this competence from local authorities. Further to this, the proposed 'Local' Income Tax which will be set and raised at the centre has yet to come to fruition, and it seems unlikely against the opposition of most of the parties in the Scottish Parliament and HM Treasury that it will come to pass. However, if it were to be implemented then this would effectively see a major plank of local government fiscal autonomy completely removed to the centre.

In short, therefore, since 2007 we can argue that local government autonomy is somewhat of a 'mixed bag'. To date, there have been more progressive approaches towards giving local government some degree of discretion over how they implement policy and spend their revenue. There has, however, been much less discretion over local authorities raising this revenue and indeed the evidence suggests that the centre seems intent on removing the competence all together from local authorities. Watch this space.

5. Conclusions

Where, if anywhere, does the proceeding discussion leave us in terms of local government autonomy in an age of devolution? There are four broad, and relatively obvious, conclusions that can be made.

1. There are substantial benefits to be reaped from decentralising more autonomy to the local level: Each of these benefits has been delineated numerous times and in much depth throughout this study therefore it is enough to briefly recapitulate them here. **Firstly**, more local autonomy can increase efficiency and effectiveness of local public goods and services. **Secondly**, by providing local authorities with more scope and discretion to 'do it their way' laboratories of innovation can be harnessed for improving overall service provision and providing examples of best practice which can be emulated by weaker localities in each respective policy field. **Thirdly**, where more decisions are taken closer to those that elect there can be transparency and accountability gains.

2. There are a number of qualifying factors which should be considered when devolving more autonomy to the local level: **Firstly**, there are potential costs of devolving more autonomy to the local level. These include the potential trade-off between competition and diversification which may result from more autonomous localities and ensuring equality and equity of goods and services across Scotland. There are also possible macroeconomic considerations of providing local authorities with more discretion to raise what they spend. This can include the slowing of long-term national economic growth. **Secondly**, there are also a plethora of implementation considerations including – though clearly not only – the number and scale of local authority boundaries, considerations of how best to raise local revenue, the further professionalisation of local councillors, and the so-called 'social-democratic' bias of Scottish politics and public policy. **Thirdly**, and crucially, much of what the literature (and the economic models) purports vis-à-vis the benefits and costs of decentralising more autonomy to the local level is theoretical. Whilst there are some empirical studies which support the benefits of increasing local government autonomy – specifically fiscal autonomy - we must also be aware that theory and practice are not always the same thing.

3. There was no increase in local government autonomy in the first eight years of devolution: and although the evidence suggests that central local *relations* improved there was some evidence of creeping centralisation. Two reasons were identified for this. **Firstly**,

with the inception of devolution there was a considerable amount of attention on the new Scottish Parliament and thus there was a high degree of expectation and scrutiny of the devolved Executive. **Secondly**, on top of these expectations both the Labour Party and the Liberal Democrat Party, like most parties in power, wanted to prove to the Scottish people that the new Executive and devolution was delivering. Both of these factors conflated and resulted in the centre giving little attention to the issue of local government autonomy in the first eight years, and where local government did receive attention from the Executive it was mostly to scrutinise and control the implementation of policy at the local level.

4. Since 2007 the SNP have taken a contradictory approach to local government autonomy: **Firstly**, the new minority SNP administration signed a concordat with local government which goes some way in devolving more autonomy back to the local level. The introduction of Single Outcome Agreements, the reduction in ring-fenced grants, and the ability of local authorities to keep the savings from efficiency drives, all represent an expansion in local government discretion to operate within the competencies they have been charged with. Nevertheless, and **secondly**, the freezing of the Council Tax at 2007-08 levels clearly reduces local government discretion to the degree to which it effectively removes this competence from local authorities. Further to this, the proposed 'Local' Income Tax which would be set and raised at the centre, if implemented, would effectively result in a major plank of local government fiscal autonomy being completely removed to the centre.

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Appendix I

There are five fundamental principles that underpin the development of the Single Outcome Agreement.

i. An Outcome Agreement reflects an entirely new relationship between local and national Government. This relationship reflects both joint accountability and an understanding that it is not the role of national Government to impose its will on local government. In short, this is a genuine agreement between the two spheres of government in Scotland.

ii. There is a significant change in the way in which accountability will work. Namely that Parliament and national Government will concentrate on outlining what has to be achieved rather than on how we have to achieve it. The first evidence of this new way of working is the removal of ring-fencing which said very little about the outcomes we are trying to achieve but a great deal about specifying the actions we needed to take. Although this principle of focusing outcomes is well understood by some elements of the Scottish Government we need to guard against a continuing temptation to manage what we do rather than agree with us what we jointly need to achieve.

iii. An objective of the Outcome Agreement process is that the entirety of the public sector in Scotland is signed up to the same fairly restricted number of priorities. As this is an agreement between national and local government it covers the whole of the public sector. Working together, both spheres of government can ensure a greater focus on these jointly agreed priorities. Again, we must guard against a situation where agencies within the public sector carry on doing what they have always done instead of focusing on the newly established priorities.

iv. Each Outcome Agreement will contain both an offer to national Government and things local government will ask from it. We will be outlining how we will use our services to contribute to the achievement of national outcomes but we will be asking national Government to use its authority, influence and management to ensure that all its agencies are working to the same agenda and that where necessary, legislative and regulatory changes are instigated which will allow local government to achieve its full potential.

v. Each Council will produce its own individual Outcome Agreement. Each of these Agreements can, and is likely to, concentrate on different priorities and will make a different contribution to the achievement of national outcomes. Each Agreement will also take account of differing local priorities and may use different indicators from neighbouring Councils when assessing progress. There is simply no suggestion in this process of “one size fits all”. There is, however, a common framework or “template” for each Council’s outcome agreement simply to avoid 32 different formats and to provide Councils with some common guidance about how their own Outcome Agreement might be developed.

Source: COSLA, (2008), ‘Moving the Concordat Forward: Single Outcome Agreements’, *COSLA Connections*, issue 39, accessed at <http://www.cosla.gov.uk/attachements/connections/connections39.pdf>

Appendix II

Summarised results from the survey of local authority Chief Executives

Table 1: Central local relations under the new SNP minority administration

With the new SNP minority administration...	Improve (%)	Deteriorate (%)	Stay the same (%)
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Central local relations will	60	0	20
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With the new SNP minority administration...	Agree (%)	Disagree (%)	Don't Know (%)
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Local government will have greater financial freedom	70	10	20
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Local government will have greater policy-making freedom	60	10	30
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n = 10 (possible 32)

Table 2: Future direction of local government in Scotland

In general local government should have...	Agree (%)	Don't Agree (%)	Don't Know (%)
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More financial freedom	100	0	0
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More policy-making freedom	80	0	20
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n = 10 (possible 32)

Table 3: Financial autonomy of Scottish local government

	More revenue raising autonomy	More spending autonomy	More spending and revenue raising autonomy
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In what way should local government have more financial autonomy	10	10	80
--	----	----	----

n = 10 (possible 32)