

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

EUROPEAN CHARTER OF LOCAL SELF-GOVERNMENT (INCORPORATION) (SCOTLAND) BILL

SUBMISSION FROM REFORM SCOTLAND

Reform Scotland is delighted to have the opportunity to respond to the Local Government and Communities Committee's call for evidence on the European Charter of Local Self-Government (Incorporation) (Scotland) Bill. Local government is an issue Reform Scotland has frequently argued is in need of urgent addressing. Therefore, we welcome the aim of the legislation and agree with Andy Wightman, as noted in the Policy Memorandum, that:

“over the past century the status, powers and freedoms of local government have been slowly eroded and marginalised. Governments of all persuasions have tended to concentrate more executive and fiscal power to the centre.”

Empowering local authorities will help Scotland on the road to economic recovery. Even before the current pandemic, councils across Scotland faced hugely different challenges. It is therefore unsurprising that the impact of Covid-19 is being felt differently across the country. Local authorities need the tools to respond. The Scottish Government's economic briefing for June looked at regional exposure and resilience in the labour market across Scotland.¹ It highlighted that local authorities that are rural or mainly rural have slightly higher shares of jobs in the most-exposed sectors. However, the number of jobs in the most exposed sectors is highest in Glasgow, Edinburgh and Fife.

While central government can act quickly, reaching large numbers of people directly, local authorities can fine-tune their recovery plans to suit their differing and distinctive strengths and weaknesses. Under the current settlement, councils have both hands tied behind their back. Scotland is far too centralised and this needs to change.

In response to the question of timing of implementation, we agree with the Bill that it should happen almost immediately. Arguably over the 21 years of devolution, one of the biggest areas of disappointment has been local government. Devolution transferred power from Westminster to Holyrood, but it also centralised power in Edinburgh. Reinvigoration of local government is badly needed. There is no need to wait longer.

While we welcome this legislation, we hope the Scottish Government takes this opportunity to recognise the importance of local government and begin devolution of real fiscal powers to local authorities. Centrally directed, one-size-fits-all policy solutions do not and cannot work. Councils need to be able to tailor solutions to local need, and to do so they need actual powers.

Councils should have the ability to introduce policies which are right for each individual area, but that cannot happen without additional finance powers being devolved beyond Holyrood.

¹ <https://www.gov.scot/publications/monthly-economic-brief-2/pages/5/>

Non-domestic rates should be devolved to local authorities in full. This would allow them to vary how and to whom the tax applies based on their own circumstances. It would also ensure that non-domestic rates are the genuinely local tax they are supposed to be. An increase in local financial autonomy and accountability is more likely to give councils an incentive to design business taxation policies and broader local economic development strategies to support the growth of local businesses, encourage start-ups and attract businesses to invest, since this will benefit the council directly by increasing its income from business taxes. Passing control of business rates to local authorities would also mean giving them control over business rates relief schemes. As a result, it would be up to each individual local authority how the tax operated within their area.

We are aware that if business rates were simply devolved some councils could be worse off, due to the re-distribution of income that occurs centrally. However, it is possible to re-adjust the block grant to ensure that in Year 1, no council loses out, creating an equivalent of the fiscal framework that could be used for local authorities.

Just like business rates, council tax is a largely a local tax in name only. Although the freeze was lifted, increases were then capped by the Scottish Government. This has hugely tied the hands of local government as well as confusing accountability and obscuring transparency.

We are, however, concerned about the drive to simply replace one centrally controlled tax with an alternative centrally controlled tax.

Reform Scotland believes that local authorities should have complete control over their local tax - including the rates, bands and indeed form of the tax. This would allow individual councils - should they choose - to retain, reform or replace Council Tax with another form of local taxation. Crucially, this would be a decision about a local tax made by a local authority for its local area, taking into account local circumstances and priorities. A true local tax.

While we welcome the European Charter of Local Self-Government (Incorporation) (Scotland) Bill, we hope that it is only the long-awaited first step on the road to renewing local democracy.