

Local Government Reform

The Case for Action



In May the Scottish Government appointed their first ever Cabinet Secretary for Public Sector Reform, recognising the need for radical change in Scotland's local services.

Central to this are our local councils. Scotland's councils are responsible for major areas of public spending, including our schools, social care, waste services and much of our public housing. Councils currently face a funding gap approaching £1 billion by 2027/28, even as they raise council tax and cut services in the same year. But the deeper problem is not financial, it is structural.

For a generation, there has been widespread recognition that there are huge gaps not only in local funding, but in local democracy, with a high profile commission identifying issues in funding, powers, and a lack of local democracy

The Direction

On any international comparison, Scotland's 32 councils are an outlier – individually too large to function as genuinely local government, collectively too fragmented to act strategically. Many argue that Scotland has less local democracy, council for council, than almost any comparable country in Europe. Yet it hasn't always been this way.

Prior to 1996, Scotland had a two tier system of local Government, with District Councils providing local democratic accountability, whilst larger Regional Councils created economies of scale for service delivery. This is much more aligned with models for local government, both elsewhere in the UK and across Europe.

Returning to this model is possible. Denmark's 2007 reform shows comprehensive restructuring is administratively achievable. Norway shows

way back in 1999. Twenty-seven years later, we have seen small fixes but no major changes.

The Cabinet Secretary's own commitment to a £1 billion public service efficiency saving over five years cannot be delivered without addressing local government directly: it is the largest area of decentralised public spending in Scotland, and the area where the mismatch between scale and function is most acute.

This paper makes the case that public sector reform must not be a mere cost-cutting exercise. It must be accompanied by radical democratic and structural change that makes decisionmaking more local, strengthens accountability to communities, and ensures public services are delivered as efficiently and effectively as possible.

that even a country which has already reformed once remains, council for council, several times more local than Scotland. However, England's ongoing reorganisation shows the political cost of imposing change without consent.

The evidence points toward one clear destination: a strategic regional tier of a substantially smaller number of authorities – in the region of 8 to 15 – holding strategic functions such as health and care integration, transport and economic strategy, paired with a genuinely empowered local tier below it, with meaningfully more directly elected bodies than exist today.

The Scottish Greens are calling on the Scottish Government and the Scottish Parliament to **make a return to two-tier local government a key aim for this session of Parliament**, and for the wider Public Sector Reform agenda.

Five Commitments for This Parliament

- 1 Make a clear commitment to a return to two-tier government** as the strategic destination for local government reform – building explicitly on the Local Governance Review’s Route Map, Single Authority Models and Democracy Matters, extending work already under way rather than starting from nothing.
- 2 Commit to rationalising the wider landscape of national agencies and locally delivered functions**, addressing the duplication the Christie Commission identified as a core reform target in 2011, and which remains largely unaddressed fifteen years on. This needs a named workstream and a timetable, not an open invitation for ideas.
- 3 Commit to the principle that where functions currently sit with appointed boards rather than elected councils, decision rights should move toward elected local government, not away from it** – Integration Joint Boards are the clearest immediate case, and this principle should also guide the design of any new regional tier.
- 4 Expand Single Authority Models beyond the current three geographies**, with a clear-eyed view of what has slowed progress in Orkney and the Western Isles: voluntary co-design among the organisations being reformed has real limits.
- 5 Widen the general power of competence now** – a working group is already in train – and legislate a single statutory power to rationalise council reporting duties, replacing years of case-by-case amendment with one clean mechanism.

Deliverable This Year: A Local Government Reform Bill

Several of the above require primary legislation and time to build consensus. Others do not, and a bill in the first year of this Parliament would help remove barriers to wider local government reform. This bill should include;

- ▶ General power of competence, legislated in full – not an incremental widening of the existing wellbeing power, but a genuine power of competence modelled on the Localism Act 2011. Fulfills McIntosh’s 1999 recommendation and follows 14 years of safe operation in England.
- ▶ A standing mechanism letting any council, or the new regional tier once established, request further devolved functions – modelled on the power already available to island authorities.
- ▶ A review of legislation which restricts local government’s discretion to spend the revenue it raises directly, such as through fines and penalties.
- ▶ A standing statutory duty on Scottish Ministers to consider transfer to local government whenever a national public body is reviewed or a new public function is created.
- ▶ A presumption that decisions taken by elected local government should not be overturned or materially undermined by Scottish Ministers or national agencies without clear statutory grounds, transparent reasons and appropriate democratic scrutiny.
- ▶ Devolution of non-domestic rates rate-setting to local authorities.
- ▶ An enabling power for council tax reform – not fundamental reform enacted in this bill, but a regulation-making power for Ministers to bring forward reform following the current SG/ COSLA process, with a statutory duty to report a timetable to Parliament by a fixed date.

- ▶ A time-bound, statutory review of local governance structures, with a fixed reporting deadline and a duty on Ministers to respond to Parliament within a set period thereafter.
- ▶ A fundamental review of the Scottish local government funding methodology, including the Grant Aided Expenditure system and the operation of the funding floor, to ensure that the distribution of funding properly reflects differences in population, geography, rurality, deprivation, service demand and the cost of delivering services.
- ▶ The review should consider whether the current methodology and funding floor produce a fair distribution of resources between councils and should examine the case for a stronger place-based approach to local government funding.
- ▶ New council powers over derelict land and substandard development – authority to compel sale of derelict land, block student accommodation displacing long-term housing, and refuse permission to developers with a poor build record.
- ▶ Extension of decriminalised civil enforcement – already used by two-thirds of Scottish councils for parking and bus lanes – to the smaller authorities currently priced out by lack of scale.
- ▶ Review of Crown Estate seabed-leasing revenue for coastal and island authorities, following the shared regional model those authorities have themselves proposed.
- ▶ Preferential procurement powers which survive judicial scrutiny and allow for presumption against the acquisition of goods and services from socially or environmentally harmful firms.

Next Steps

The Scottish Government needs to make a clear commitment in the upcoming Programme for Government that local government reform is part of the wider programme for public sector reform.

This also needs to be accompanied by **progressing the ongoing commitment to significant reform of the council tax, to ensure changes to local government and public services are properly resourced.** Structural reform of this kind delivers savings, but the international evidence is consistent that they are real rather than dramatic.

Alongside savings, a growing base of local revenue is already emerging – the Visitor Levy, an expanding empty-homes premium, and new property tax bands above £1 million from

2028 – and the ambition for councils to raise significantly more of their own budgets locally is sound in principle.

It needs to reckon honestly with how unevenly that capacity is spread today: council tax already funds around a quarter of Edinburgh's budget and considerably less in Scotland's smallest authorities, so no single mechanism helps every council equally.

Parliament must also learn directly from the Financial Memorandum weaknesses that stalled the National Care Services Bill, so that whatever comes to Parliament next on Local Government reform survives scrutiny the first time. That work should begin now, alongside the Year 1 legislation, not after it.