

Local Government, Housing & Planning Committee  
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15 August 2024

## **A response from Reform Scotland to the Committee's call for views on pre-budget scrutiny & the sustainability of local government finances**

Reform Scotland welcomes the opportunity to contribute to the committee's discussion. Our answers focus on questions in the section looking at the financial sustainability of local authorities.

### ***What are the main challenges facing local government finance over the next five years?***

One of the biggest obstacles facing all public services is the challenge of simultaneously investing in much-needed early intervention and prevention programmes to improve outcomes in the longer term, while dealing with short-term crises that demand immediate attention and resource.

The Christie report highlighted the importance of early intervention and preventative spending programmes. Over ten years later, the importance of that report is regularly highlighted by politicians and policy makers, yet it has not been delivered upon. To make matters worse, prevention programmes are too often in the first line of cuts. Such programmes are often delivered by the third sector and/or in collaboration with local authorities. With councils' budgets under growing strain these programmes regularly face cuts so simply store up bigger problems for the future.

It is of course near impossible for councils to do both what is required for the long term and the short term while also facing a cost-of-living crisis, the impact of other externalities and real-terms budget cuts.

Greater collaboration and new approaches are required. For example considering greater use of schemes such as [social bridging finance](#). Ultimately, greater focus on prevention is required to avoid building up pressures on policy delivery in future.

During a discussion of the Finance Committee on 23 May 2023, Reform Scotland's research director, Alison Payne, was part of a panel giving evidence who were asked about why Christie had not been implemented.<sup>1</sup> As a think-tank we have had numerous conversations about the need to finally implement Christie, to tackle early intervention and prevention. Inside and outside of politics, and across parties, it seems to be accepted that this needs done. And yet it has not been. What needs to change to ensure that in another 13 years we aren't having the same discussions?

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<sup>1</sup> [Official Report \(parliament.scot\)](#)

Certainly, we believe that there needs to be a far greater level of honesty with the public about the scale of the challenges we face, along with longer-term cross-party thinking which seeks to address problems for longer-term success, rather than short-term electoral gain.

**Have councils assessed how much revenue funding they need from the Scottish Government in 2025-26 to deliver their statutory and discretionary services to an adequate standard?**

**Has the Verity House Agreement impacted on the financial sustainability of local government since it was signed last June and if so, how?**

According to the Scottish Government's website,<sup>2</sup> the Verity House Agreement (VHA) would deliver:

*"our vision for a more collaborative approach to delivering our shared priorities for the people of Scotland."*

The agreement itself notes that a *"positive working relationship should be based on mutual trust and respect"*

However, no discussion of the impact of the VHA on the financial sustainability of local government can ignore what happened only a couple of months later.

By announcing a council tax freeze at the SNP party conference the then First Minister not only ignored the importance of collaboration, trust and respect that was supposed to be part of the VHA, but that decision had huge implications and severely impacted the fiscal powers and financial flexibility of councils. While some may argue that the VHA has, in and of itself, had no negative impact on councils' fiscal powers, other actions by the Scottish Government certainly have. The process to come to a settlement to deliver that freeze is also why we would link these two questions together.

Councils need far greater ability to rely on their own revenue-raising streams, not just their block grant allocation, in order to ensure that they can deliver services. However, that is not currently the case and, as a result, Reform Scotland believes that their ability to do so is greatly hampered.

If the Scottish Government wished to give greater fiscal freedom to councils, it could do so. It could commit to no longer imposing centrally set council tax freezes; and it could devolve powers over council tax to local authorities, enabling councils to make decisions for their areas that reflect their differing circumstances and priorities. This could enable local authorities to look at bands; rates; exemptions; even the form of the tax in their area – a truly local tax.

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<sup>2</sup> [New Deal with Local Government – Verity House Agreement - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-petitions/html/documents/newdealwithlocalgovernment.htm)

To sign an agreement and so wilfully disregard it a few months later ultimately undermines the whole VHA process.

### **What would you like to see in the forthcoming fiscal framework to help improve financial sustainability?**

Local authorities in Scotland need to be given far more fiscal powers and permissive powers to enable them to act in a way which is best for their area. We need to shift away from a drip-drip approach of devolving some small powers, such as a tourism tax, which simply encourages councils to have to come cap in hand to the Scottish Government, and towards empowerment and recognising that local communities are best placed to meet local needs.

While we welcome the discussion being pursued by the committee, we fear that these issues have been raised before, but little has changed. As with the Christie Report, there appears to be broad recognition that Scotland is a diverse country and that one-size-fits-all policies are ill-advised, and yet despite this recognition, nothing has changed.

Throughout the period of devolution there have been committee reports and cross-party support behind greater decentralisation within Scotland, and for local government renewal.

In 2002, the Local Government committee said the system of local governed finance needed renewal and that there should be a shift in the balance of local/central revenue raising:<sup>3</sup>

*“The Committee does not believe that the existing local government finance system is sufficiently robust - and believes that part of the problem lies in the balance between the central and local funding of councils’ General Fund revenue budgets.*

*“The Committee **recommends** that councils should retain the responsibility for a wide range of services - including major services such as Education and Social Work Services - but that the central/local funding balance should change from the existing 80:20 split to 50:50, or as close to 50:50 as is possible, as soon as is practicable.*

*“The Committee **recommends** the Scottish Executive to introduce legislation to return the non-domestic rate to local control at the earliest opportunity.”*

Again in the 2014, the Local Government Committee inquiry into flexibility and autonomy in local government gave a recommendation for greater local fiscal autonomy. Critically, it recognised that empowerment didn’t create postcode lotteries – rather, it was a matter of local accountability and decision making:<sup>4</sup>

*“We consider there should be a range of taxes or charges from which they should be free to choose to levy to meet local circumstances and needs. The cross-party commission should consider whether there should be a range of taxes or charges from which local authorities should be free to choose to levy to meet local circumstances and needs.*

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<sup>3</sup> [Local Government Committee Report \(parliament.uk\)](#)

<sup>4</sup> [8th Report, 2014 \(Session 4\): Flexibility and Autonomy in Local Government - Parliamentary Business : Scottish Parliament](#)

*“ We recognise this power will lead to variations across the country which we see as a desirable adjunct of the exercise of democracy. It would then be for locally elected politicians to be held to account by their electorate.”*

But nothing changed.

Our local communities need empowered local leaders who are given responsibility to address differing local needs. It is beyond time to move away from a central command and control Central Belt-focused approach to service delivery. We need more of a focus on outcomes and to recognise that there will need to be differences in how those outcomes are delivered.

There needs to be a discussion about what the role is for the centre, but we need to recognise that if we are to improve outcomes in Scotland, whether that is in education, poverty, housing or other areas, local government is key to that success.

Such a change in attitude and culture is essential if we are to ensure the long-term sustainability of our local authorities.

Yours sincerely

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