

Scottish Cities' Response to the Local Governance Review

Introduction

Scotland's Cities - Aberdeen, Dundee, Edinburgh, Glasgow, Inverness, Perth, and Stirling - welcome the opportunity to provide a combined response to this Local Governance Review consultation.

Scotland's Cities represent 53% of the population of Scotland (2.86m) and are home to 55% of businesses, 61% of jobs (1.51m), 66% of GVA (£84.6bn), and 63% of Scottish exports. Cities are also hubs for Scotland's transport networks, tourism gateways, and, as home to further education colleges and some of the world's most renowned Universities, act as centres of excellence in skills development for people from all parts of the country. The scale of the Scottish cities' contribution is critical to the economy of Scotland, and to the success and wellbeing of citizens across Scotland.

By international standards, however, analysis shows that the economic contribution of Scotland's cities is lower than it could be, and that growth of Scotland's cities is expected to lag that of comparators elsewhere in the UK. Despite their success to date, data suggests that Scotland's cities retain unrealised potential to contribute more to the Scottish Government's ambitions for inclusive growth and improved productivity, and that a stronger role for cities will be critical to ensuring a successful post Brexit economic landscape.

At the same time, Scotland's cities are home to increasingly diverse populations. Not least, cities account for over 40% of Scotland's most deprived populations and more than a third of all children living in poverty in Scotland, with these households often living in close proximity to some of the Scotland's most prosperous areas. Such stark inequalities in income and experience within our communities place significant pressures on social cohesion, and underlines the challenge and need for more inclusive models of growth in a way that is more strongly felt in cities than in other parts of Scotland.

Within this context, Scotland's cities are committed to working together in the interest both of their citizens and the nation as a whole. Individually, each city has its own strengths and has much to offer, but it is the position of the Scottish cities that the best way to maximise our impact is to work collectively and look for opportunities to combine those strengths. In order to realise the economic potential of their places and their people, however, cities need access to the financial levers and the collaborative working arrangements that will allow them to meet the unique challenges and opportunities they face.

This Local Governance Review is a welcome opportunity to deliver a vision of Scotland where:

- Scotland's cities are formally recognised in national policy development and delivery as playing a crucial role in Scotland's economy
- Barriers to effective collaboration – cultural, structural, and financial - with national agencies are addressed and removed, and
- Scotland's cities have access to the fiscal autonomy, and flexibility in the use of fiscal levers they need to deliver inclusive growth for themselves, their regions and Scotland.

Ask: Scotland's cities are formally recognised in national policy development and delivery as playing a crucial role in Scotland's economy

Scotland's cities have many unique pressures, and unique opportunities, that arise from their role at the centre of regional and national economies. In particular, Scotland's cities are providers of services and opportunities to residents and business across wide regions that extend well beyond local government boundaries. In particular, cities are:

- Service hubs for residents across wide city region areas – providing access to retail, leisure, health, transport, and other services.
- Gateways to the rest of Scotland for visitors, as well as important tourist centres in their own right.
- Employment hubs for workers from wide travel to work areas – providing access to jobs, career development, volunteering, training, and learning opportunities for workers from across Scotland.
- Sources of skilled labour – exporting skilled workers commuting outwards to businesses and locations across Scotland, and
- Centres of excellence for learning – attracting and retaining students and researchers to Scotland from across the world.

Critically, the role of cities as providers of vital services to residents, visitors, and businesses from out-with their own boundaries is under-recognised in current governance and funding arrangements. In particular, the costs and demands – on local transport networks, on infrastructure, and on finances - that accompany this role can be significant. Just as island and rural communities are recognised in funding and investment decisions for the special role they provide and additional pressures they face, it is the view of cities that similar recognition should be made to Scotland's cities.

To address this imbalance, Scotland's cities ask that their role at the centre of Scotland's future economic success, and the success of surrounding regional authorities, is recognised during the development and delivery of national policy. This means:

- recognising the unique demands and opportunities faced by Scotland's cities, and formal recognition of these demands in allocation of funding, cultural and capital investment decisions, and delivery of services provided by Government and national agencies
- in parallel with similar provisions allowed to island authorities through the Islands Act (Scotland), introducing a formal scheme for city authorities to request that Scottish Ministers promote legislation devolving functions to the authority
- sharing in decision making with national agencies at a policy level, in particular in relation to infrastructure, and having a clear strategic role in directing national agency investment into cities and city regions
- having greater transparency and provision of information on transport policy and investment plans, with cities sharing in decision making on the prioritisation and delivery of national transport spend,
- having a shared role in setting policy on digital infrastructure roll out at a city and city region level, and
- having a clear role in the development of inward migration and immigration policy, including post study work visa policy.

Ask: Barriers to effective collaboration – cultural, structural, and financial - with national agencies are addressed and removed

Scottish cities require a new relationship with the Scottish and UK Governments, a new way of working that will enable them to compete, innovate and support the inclusive growth outcome at the centre of the Government's economic vision for Scotland.

This new relationship requires city authorities, Scottish Government, and national agencies to be able to work collaboratively to maximize the benefits from both local decision-making and joint working on prioritized national outcomes.

At present there is a strong recognition of the need for and value of improved joint working, but many challenges remain. Not least it is important that:

- Scottish Government and its agencies make clear and consistent statements on the importance impact that strong collaboration between, and with Scotland's cities can make towards meeting national policy objectives.
- In common with duties outlined in the Islands Act (Scotland), national agencies - including those involved in economic development activities - should have a public duty to have regard for and engage with cities in the planning and delivery of their functions.
- National agencies have a duty to ensure and evidence that their investments and services are delivered in a way that benefits and meets the needs of Scotland's cities, supports their role as drivers of the national economy, and to responds to the priorities of cities as expressed through the democratic wishes of local electorates.
- Current imbalances in accountability are recognised and addressed. A key challenge to collaboration with national agencies – including NHS, Enterprise agencies, National Parks, Transport Scotland, and others – are imbalances in priority between locally accountable bodies, like local government, and nationally bodies accountable to Scottish Ministers. Such imbalances lead to lack of clarity and transparency and encourages an unnecessary sense of competing priorities between partners.
- Greater flexibility is introduced to allow national bodies to take greater cognisance of the needs and priorities of city authorities and their local electorates.
- Opportunities are taken to potential to align procedures and mechanisms between different parts of system, including processes taken to develop major transport projects, transparency and speed of decision making in partner agencies.

Ask: Scotland's cities have access to, and flexibility in the use of, the fiscal levers they need to deliver inclusive growth for Scotland

A key ask from Scottish Cities is for greater autonomy over the development and use of fiscal instruments. Scotland currently has the lowest level of local income raising fiscal powers allocated to local government across the whole of Europe. Local governance, local accountability and local democracy would improve with the devolution of significant fiscal powers. Shared decision on the allocation of resources must include shared decision on the ability to raise resources locally.

In an environment in which public funding is unlikely to increase in the foreseeable future, fiscal devolution is necessary for cities to effectively manage the increasing budget pressures facing the public sector. It is also essential to helping incentivise the growth of city economies and, in doing so, provide the catalyst for growth that benefits all parts of Scotland.

Fiscal devolution is further important to help visibly and meaningfully empower local places – be they councils, neighbourhoods or communities. This review should rebalance the overall amount of local government budgets that can be raised locally and those resources raised by central means and distributed across local authorities by the Scottish Government.

Local government has an excellent track record in the collection of tax and income. It is the view of Scotland's cities that more flexibility and devolution of powers would allow this expertise and reliability to be deployed to the benefits of local economies and local communities in our cities.

In particular, it is important that:

- Cities are able to adopt appropriate local taxes and levies and other fiscal levers to drive their local economies. These may include, but are not limited to, parking levies, tourism levies, congestion charging, road pricing, land banking, and others.
- More support is available from Scottish Government and its agencies to help city authorities explore and model the impacts and benefits of innovative fiscal levers.
- Cities have greater flexibility over borrowing powers, allowing for greater ease of access to affordable capital needed to allow cities to be more innovative and accept greater appetite for risk in the way they invest for the growth of their economies.
- Cities have greater flexibility over the setting of and retention of Non Domestic Business Rates. At present, cities have authority to provide rates relief for businesses, but not to increase charges. Further, with increases in rates collections offset against local government funding allocations, cities have limited fiscal incentive at present to increase overall rates values. Greater autonomy in this area would be a powerful tool to free city authorities to find more innovative and flexible approaches to support key sectors, fund and direct investments on key sites, develop businesses in deprived communities, and deliver on inclusive growth objectives.

Potential Benefits

Scotland's cities, and the people, the businesses, and the environments they are home to, are the principal drivers of economic growth in Scotland. It is clear that the Scottish Government's ambitious vision for a more inclusive, innovative economy cannot be fulfilled without maximising the full potential of Scotland's cities. To do this, it is important that the Local Governance Review delivers on the ambitions set out in this submission and empowers city local authorities to lead the change that is needed to deliver inclusive growth for the benefit of all citizens and all areas of Scotland.

If these asks are delivered, there are clear benefits to be realised, both for cities and for Scotland as a whole. Not least:

- New ways of working can encompass distinct and unique messages for each city but also define a collective purpose for Scotland's seven cities, the Scottish Government, and its agencies
- New, and clearly defined relationships between cities, national agencies, and Scottish Government with clear roles and responsibilities can draw on the individual strengths of each party
- New arrangements can enable the benefits of local decision making to flourish enabling city councils to maximise their strengths of local knowledge and civic leadership to deliver community empowerment and greater local accountability
- New arrangements can create greater chances of success from further devolved fiscal levers delivered within a framework that ensures consideration of risks and rewards
- New arrangements can help cities to deliver objectives in relation to more connected and empowered communities, reduced inequalities in cities, and inclusive growth for all of Scotland.