

EMPOWERING SCOTLAND'S CITIES:

Delivering Prosperity and Equality for Scotland's Seven Cities

Discussion Document

“To deliver, our cities require empowerment and strategic support from government to ensure they maximise their assets, infrastructure, skills and opportunities, for all of Scotland’s people. They need the freedom to decide locally, to raise funds through taxes and invest to create jobs and economic growth and to deliver services which are tailored to cities and city regions”.

Scotland’s Seven Cities: A Shared Vision for Scotland’s Success, May 2015



Democratising growth in our cities

Citizens, communities and local businesses often feel disconnected from decisions pertaining to large-scale investments in their cities, often with international finance, despite being profoundly affected by them. Greater local involvement will not only democratise growth, but also lead to improved decisions.

Economic prosperity, social equality, environmental sustainability, democratic inclusion and cultural vibrancy are intertwined and central to Scotland’s future. It is largely in Scotland’s cities where these aspirations will be met, to the benefit of their wider regions and Scotland as a whole. Our competitor cities in England and elsewhere across the world are being empowered to thrive in a globalised world. Scotland’s cities must do the same in order to compete and engage citizens and communities. It is crucial that

Scotland’s cities are able to develop distinctive policies to reflect their distinctive size, location, industrial composition and cultural offer as well as work collaboratively to create the breadth and scale of opportunities to stimulate and attract investment.

The last 25 years have seen the explosive growth of London, now the main UK magnet for international fluxes of capital, labour and innovation. The UK government has responded with an aspiration to create a Northern Powerhouse of connected cities with their own powers and control of key budgets. Shrinking local public budgets and fixed statutory service provision determined by Westminster and Holyrood take the future of local areas out of the hands of local communities. Local people know this and local democratic participation has been eroded to a critical threshold.



In Scotland and the UK, local authorities have limited powers over taxation in international comparative terms. Revenue retained locally amounts to less than 5% of the total raised (HM Treasury, 2014) and 17% of local public expenditure in Scotland (Audit Scotland, 2015), compared to around three times these figures in other developed nations (ESPON and EIUA, 2012).

The situation is reflected in the Council of Europe's report in March 2014, which states that the main area of concern for Britain is: "the financial resources of local authorities, their limited taxing powers and their dependence on government grants". There is growing evidence that decentralised systems of government are associated with higher national economic growth (ESPON and EIUA, 2012). With the Smith Commission process likely to result in new powers to Scotland, subject to the Scotland Bill being passed and gaining royal ascent, there is an

opportunity to make a step change in local democracy and community empowerment across Scotland.

This document sets the ways in which cities, and other local authorities in Scotland, can help deliver more prosperity and equality for Scotland as a whole. The seven cities of Scotland therefore ask that Holyrood passes on a proportion of the fiscal retention it is likely to be granted following the Smith Commission, for the retention of Non-Domestic Rates, and for the power to raise local taxes. We ask for control over Scottish budgets pertaining to regional infrastructure, international activity and attracting inward investment, and that the UK government commits to the continuation of City Deal-style funding for Scotland's cities. These measures will allow investment and spending to be tailored to local growth opportunities and community aspirations to a much greater extent than is possible at present.



Distinctive priorities and challenges in our cities

KEY PRIORITIES OF SCOTLAND'S CITIES:

- **Economic Growth, Innovation and International Competitiveness;**
- **Social Equality;**
- **Environmental Sustainability;**
- **Democracy and Community Empowerment;**
- **Culture and Liveability.**

Just as the Scottish Government has recognised that the distinctive priorities and challenges facing Scotland's Island communities require distinctive policies and additional local powers and retention of resources. The same arguments apply to Scotland's cities. Cities house Scotland's major cultural, economic, political, scientific and sporting institutions and infrastructure. This serves not only the cities but the whole of Scotland. Concentrations of poverty and inequality affect cities on a wholly different scale to other parts of Scotland, with knock-on consequences for how services are delivered.



Cities are no longer industrial, polluted environments but increasingly vibrant, liveable places accommodating diverse people and stimulating innovation. Universities, cultural institutions and specialist firms uniquely found in cities bring a diversity of industries and expertise together in one place that serves to enhance productivity and accelerate growth.

The unique ability of cities to attract increasingly mobile global talent is paramount in promoting innovation and growth in the knowledge economy. The cultural offer of cities is therefore crucial not only in enriching lives across Scotland but also in bringing long-term economic success.

After decades of decline, Britain's great industrial cities, such as Dundee and Glasgow, began to grow once again prior to the 2008 global crisis – but continue to face unique challenges in terms of an on-going post-industrial legacy of vacant and derelict land, poor skills and poverty. Other cities have struggled to match rapid growth with adequate infrastructure, such as Aberdeen and Edinburgh, leading to exorbitant property prices, congestion and lost opportunities for further growth. Cities in a range of situations need to be able to respond quickly and flexibly to development opportunities and pressures in terms of ensuring co-ordinated land availability and infrastructure investment.

Although large users of energy owing to the concentration of economic activity, the density of cities allows efficient carbon use, for example in transport and energy. New 'smart' technology is revolutionizing how cities function: increasing efficiency, democratising information and informing choice. Nevertheless, the density of cities presents unique challenges in terms of congestion and air pollution.

As well as being home to the highest paid jobs, cities also represent the greatest concentrations of poverty and inequality. Scotland's cities lead the way internationally in regeneration initiatives, community participation and tackling the consequences of deprivation. However, they could do more to prevent deprivation from arising in the first place if given the necessary tools to attract the appropriate investment that contributes to the lives of citizens and tackles inequality.

Growing our cities and serving their wider regions are profoundly political decisions that require community participation and democratic accountability. With the right levers, city leaders can take a key leadership role that allows them to make longer term decisions on investment that will re-energise their communities and attract talent by unlocking private sector investment.

“At the moment we are in the worst of positions as we have declining budgets and increasing costs and we are having to explain ourselves to our communities. Would we not be better to have more control in order that we engage our electorate in a more positive way? The ability to make a decision is what is desired.”

Workshop with Scottish city leaders, Aug 2015



Why stronger cities and local government will make a difference

More prosperous cities and city regions mean a more prosperous Scotland. Scotland's city regions are home to more than half of Scotland's population – and trade, culture and commuting links extend well beyond their city limits. Scotland has already recognised that its cities are its key assets, as stated in the 2011 'Agenda for Cities' initiated by the former Deputy First Minister Nicola Sturgeon.

The two key pillars of the Scottish Governments' Economic Framework (2015) – 'growth' and 'inclusion' – can be achieved faster and more effectively if the cities are given more control over their budgets to tailor investment to local priorities. A more prosperous and equal Scotland is possible where budget flexibility and revenue raising powers empower communities to fulfill their

aspirations, engage citizens, businesses and investors alike, and renew local democracy, all within the broad priorities set by the Scottish and UK Governments.

At the moment local government currently faces a potential financial disadvantage when creating growth in the local and regional economies as local budgets do not directly depend on local economic buoyancy or growth. In the short run, a growing population can simply mean greater demands on services. The retention of a greater share of taxes paid by citizens in the locality that generated them is paramount not only to incentivise growth but also for a just and efficient distribution of resources – although of course an important role will always remain for block grant to ensure adequate service provision in all areas.



Scotland's cities can respond quicker to opportunities and become more competitive regionally, nationally and internationally if they have control over the key budgets required to deliver co-ordinated place-based development. The ability to raise revenue locally can play a key role in stabilizing budgets in line with local aspirations, and in being able to respond to investment opportunities as they arise. With the necessary levers, city leaders can create a new excitement for investment across the private sector building on the confidence and ambitions Scotland's cities have for themselves and their communities.

An equal Scotland means a better distribution of services to individuals and communities alike. The new Community Empowerment (Scotland) Act 2015 puts forward a more participative democracy model throughout Scotland. As local authorities have a better grasp of critical local issues and are deeply aware of the community landscape in their constituency, it is imperative that they have the necessary levers and funds to ensure this new legislation makes a difference. Many cities have already taken steps to empower their local communities but could do more with greater control over resources that can be tailored to meet community aspirations.



“Cities matter, and investment in our cities to maintain and enhance their physical assets will have wider benefits – protecting and creating jobs and enhancing life opportunities – for all of Scotland.”

Scotland’s Cities: Delivering for Scotland, Scottish Government, December 2011



What we ask and what it will enable

What we ask of the Scottish Government:

- Control over decisions pertaining to key regional infrastructure, including transport, water, skills, health and local economic development;
- Passing on to local areas all of Non-Domestic Rates and a proportion of the fiscal retention to be granted to the Scottish Parliament by the Scotland Bill;
- Freedom to raise local taxes;
- Commitment to the continuation of support to progress City Deals in Scotland.
- Allocation of dedicated national resources at a city regional level for inward investment.

What we ask of the UK Government:

- Commitment to the continuation of City Deal ‘earn-back’ style funding in Scotland.

What we will deliver in return:

- Further develop Scotland’s cities as internationally recognised and desired destinations for capital and inward investment
- Increased private sector investment and sustainable long term growth and productivity across city-regions;
- A more co-ordinated place-based approach to development;
- Economic development which includes greater community involvement in shaping localities, including community influence over public budget spending;
- Greater participation in local democracy;
- Reduced inequality.

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