

Scottish Cities - Submission to the Commission on Local Tax Reform

The Scottish city local authorities (Aberdeen City Council, Dundee City Council, The City of Edinburgh Council, Glasgow City Council, Highland Council including the city of Inverness, Perth and Kinross Council and Stirling Council) welcome the opportunity to respond to the Commission on Local Tax Reform collectively in recognition of the particular challenges Scotland's cities face if they are to remain competitive in the global market.

International evidence suggests that those cities that have greater flexibility over the taxes they raise are economically more successful, are more democratically accountable to the communities they serve and consequently more socially inclusive and better placed to address inequalities¹. At present, the only tax retained locally by Scottish city local authorities is council tax, which represents 17.2% of local government budgets in Scotland² and 4.7% of UK tax revenue³. Consequently, Scotland's cities find themselves in the worst of positions as they are faced with declining budgets and increased costs whilst still being expected to deliver the high quality services their communities expect. With their growing economies, Scotland's cities face a range of opportunities and challenges of a scale and intensity that are much greater than those faced by smaller urban economic geographies and rural areas. Scotland's cities need to be put in charge of their own destinies to allow them to be more responsive to opportunities as they present themselves and have the ability to mitigate the negative impact challenges may place on their assets, brand, citizen satisfaction and global competitiveness.

Key areas where these pressures are most keenly experienced are around:-

- Scotland's Cities' responsibility to drive economic growth through investment in infrastructure, innovation and competitiveness (both locally and globally);
- The complexity of the issues Scotland's cities are expected to address especially in terms of citizens' needs around reducing social inclusion and inequalities as well as promoting local democracy;
- The greater environmental problems, but also opportunities to address them, through the adoption and trialling of new technologies to stimulate business growth; and
- The requirement to provide a cultural offering as part of their global attractiveness for talent and investment.

Within the confines of their existing powers, Scotland's cities are able to refer to a range of success stories which demonstrate how through innovative and forward thinking, city leaders have achieved significant change in their respective areas, stimulating economic growth and job opportunities. Key advantages of empowering city leadership include their ability to:-

- Develop innovative and ambitious approaches which respond to local need;
- Future proof activity and decisions as city leaders have a long term commitment to securing the socio-economic futures of their citizens;
- Work with a range of public/private partners across political and sectoral boundaries;
- Engage with their communities at an early stage to gain buy in and manage expectations.

Scotland's city local authorities provide leadership in terms of their willingness to work with partners across the board to achieve investment and growth. There is an expectation from the public that Scotland's cities provide this leadership which no other stakeholder has the ability to offer and Scotland's cities feel that if they are not empowered to capitalise on it they will never achieve their full potential.

¹ ESPON & EIUA (2012) *Second Tier cities in Europe: in an age of austerity why invest beyond the capitals?*

² Audit Scotland (2015) *An overview of local government in Scotland*, Audit Scotland and the Accounts Commission, March 2012

³ HM treasury (2014), *Autumn statement*, London, HM Treasury, December 2014

There is agreement across Scotland's cities that a menu of options is needed to give them the flexibilities they require in terms of tax raising powers and devolved budgets if they are to maximise their economic potential and address the needs of their citizens in a transparent and accountable way. The cities are currently considering a mix of approaches to devolving power to give them the tools they need to deliver more inclusive growth. These include:-

- Discussions on the role that government and its agencies currently play and how their functions and budgets might be devolved to better align with the aspirations of city regions taking into account the importance of not losing economies of scale; and
- Giving cities the freedom to use elements of the income they help to generate to stimulate further growth in a way that is open and transparent to citizens on how it is spent, building on international experience to ensure limited displacement.

This approach is supported by the Scottish Cities Knowledge Centre's submission to the Commission, which highlights that in the context of the UK government's move to decentralise powers to localities that it will be insufficient to focus solely on reforming Council Tax if Scotland's cities are to remain globally competitive.

Following the proposals detailed in the draft Scotland Bill published in January 2015 being implemented in full, Scotland is on course to retain around 40% of the tax raised in Scotland⁴. These powers are being extended on the basis that they will bring decision making and responsibility closer to where decisions take effect and it is for these very same reasons that, where appropriate, powers should be passed down to cities to allow them to address the real challenges they face in driving economic growth, improving local democracy and tackling inequalities at a local level.

⁴ HM Government (2015) *Scotland in the United Kingdom: an enduring settlement*, London, HMSO