

THE CONTRIBUTION LOCAL GOVERNMENT MAKES TO OUR COMMUNITIES AND THE LOCAL ECONOMY

Report to UNISON Scotland

This report was commissioned by UNISON Scotland and carried out by Professor Mike Danson and Dr Rebecca Stirzaker (both Heriot-Watt University), Professor Christine Cooper (University of Strathclyde) and Dr Geoff Whittam (Glasgow Caledonian University), on behalf of the Jimmy Reid Foundation (<http://reidfoundation.org/>)

ABSTRACT

Boosting the wages of lower paid public sector workers can ameliorate austerity cuts and generate expansion in the Scottish economy more effectively and efficiently than cutting taxes for the rich and powerful or building major infrastructure projects



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Executive Summary

- There are economic and social rationales for the public sector delivering services and owning assets collectively on behalf of communities and the nation.
- Effective and efficient delivery is dependent on suitably and fairly rewarded staff, especially as recovery from recession and supporting the most vulnerable relies on this workforce.
- The UK Government-imposed 1 percent cap on public sector pay increases has distorted labour markets, is unfair on those delivering essential public services, and has impacted on the ability of public sector employers to retain and attract staff.
- There have been continued reductions in the discretionary block grant from the UK Government. Between 2010-11 and 2019-20 this will have fallen by £2.6 billion or 8 percent in real terms, there will be real terms cuts of over £500 million in the block grant over the next two years.
- The 2018-19 Scottish Government Draft Budget offers a total core funding package of £10.51 billion for local government. This would protect much local government day-to-day spending for local services in cash terms but, given OBR forecasts of inflation, mean a cut in real terms. There is also an increase in capital spending of £89.9 million. Local authorities could generate an additional £77 million by increasing Council Tax levels by up to 3 per cent. In aggregate these could secure an increase in real terms in the overall resources to support local government services but with increased demand and obligations on budgets this would promise further real cuts.
- Other funding streams available to local authorities for shared national and local government priorities total £361 million of funding in 2018-19.
- The 2018-19 Public Sector Pay Policy includes a three percent pay rise for all earning less than £30,000; caps the pay bill at two per cent for all those earning more than £30,000; and limits the maximum pay uplift for those earning over £80,000 to £1,600.
- These increases might be affordable within the Scottish and local government budgets and would have expansionary effects on the Scottish economy but only with a further increase in Scottish Government funding for local government. Negotiations over the draft budget, especially with the Greens, are expected to lead to a further £150 million for local authorities which would ensure this uplift in pay could be realised.
- The net costs to the Scottish and UK budgets of fully funding the inclusion of local government workers in the Scottish Public Sector Pay Policy would be about £45m. The costs to the Scottish budget would be higher but incomes and GVA would be about £70m greater.
- Equivalent tax cuts for higher income groups would generate lower gross benefits overall, would lead to further austerity cuts and in net

terms would lead to reductions in demand for local enterprises with job losses and further falls in incomes.

- Redistributing incomes towards lower paid workers and more innovative public procurement can deliver an expansion of the Scottish economy, ameliorating some austerity cuts.
- With Health and Education employment and services protected, local government has borne the brunt (nine out of ten) of austerity job losses in Scotland. Many of these jobs have been contracted out, converted into self-employment as well as disappeared with impacts on services and lower paid workers.
- Analyses of public procurement and economic impacts of different forms of public sector expenditure confirm that economic expansion could be generated more effectively and efficiently within a balanced budget through more creative and innovative approaches to social, community and economic development.

Introduction

This report was commissioned to complement previous studies for UNISON Scotland on the impacts of cuts in local government budgets and the imposition of a 1 percent cap on public sector wage increases. As UNISON is Scotland's largest trade union representing over 150,000 members, primarily in Scotland's public sector including local government, the analysis presented here has relevance for other public sector trade unions.

Local government has had the largest cut in Scottish government funding allocations in recent years, bearing the brunt of austerity. UNISON, along with others has highlighted the overall cuts¹ and in their 'damage' series have set out their members' views of the impact on individual services². UNISON has also argued for a more interventionist role for local government in areas like procurement, the environment and municipal energy.

Opinion polls and other evidence points to strong public support for the services local government delivers. However, this does not always transfer to public understanding of the role councils play in our communities. This report is a contribution to highlighting the important roles local government makes to our communities and the local economy in particular.

Research Aim

The overall aim is to complement these studies of the impact of austerity on local services and the damage that does to communities and local economies. In addition, it is intended to show how councils could make a greater impact with better funding and political leadership.

- How local government contributes to the local and national economy through services, procurement etc.
- An overview of the scale of austerity cuts to Scottish local government.
- An impact assessment of those cuts in economic and social policy terms.
- Examples of innovation in council support for local economies.
- How councils could do more to strengthen the economy if they had additional funding.

The report is structured as follows: the following section introduces the rationale for national and local government interventions in the social and economic life of the nation, confirming the reasons for public expenditure across the local government portfolio of service provision. Section 3 outlines the impacts of austerity on Scotland and its people, especially regarding the

¹ *Draft Budget 2017-18*. The UNISON Scotland Evidence to the Scottish Parliament Local Government Committee: draft Budget. October 2016. http://www.unison-scotland.org/library/DraftBudget2017-18_UNISONScotlandEvidencetoScotParlLocalGovtCttee_Oct2016.pdf

² For example, 'Combating Austerity: Signposting the ways Scotland could limit some of the damage', September 2015, http://www.unison-scotland.org/wp-content/uploads/CombatingAusterity_Sep2015.pdf; 'Poorer workers poorer services: Life in Con Dem Inverness', May 2015, <http://www.unison-scotland.org/2015/05/05/poorer-workers-poorer-services-life-in-con-dem-inverness-may-2015/>

reduction in local government budgets. The next section discusses the role and services of local government in Scotland before an extensive exploration of the impact of austerity cuts to local government in economic and social policy terms and provisions. By considering good practices in public procurement, section 6 examines how local councils could do more to strengthen the economy if they had additional funding. Section 7 analyses specifically the benefits to the national economy and service provision of raising local government wages. Section 8 draws on examples of interventions and partnerships with various civic organisations across Scotland to consider innovative support by local authorities for their local economies and societies. The final section concludes the report and proposes some additional measures that could be considered to raise additional funding for local government service provision.

The Importance of the State in the Economy

Ever since Adam Smith wrote *The Wealth of Nations*, economists have argued that there is a role for the state to provide certain goods and services. These goods and services consist of what are known as 'public goods' and 'merit goods' (Sloman, 2000). Public goods have two distinct characteristics namely that they are 'non-exhaustible and 'non-excludable' (Mackintosh et al., 1996). Non-exhaustible refers to the fact that the good or service never runs out and non-excludable means that if the good or service is being provided for one consumer then it is provided for all. These characteristics are ascribed to 'pure public goods' and it is difficult to find many examples of these types of goods. Traditionally it would have been suggested roads would be a type of public good but we know that exclusion can occur through the use of tolls. Defence is likewise cited as an example, if you provide nuclear protection through Trident (if this is indeed possible) for one, you provide for all; by contrast, nuclear bunkers are designed to accommodate all citizens so this is not a pure 'public good' in all aspects. However, with the rise of 'private armies' and private 'law enforcement agencies', defence being viewed as a public good is likewise questionable. We could be left with 'fresh air' but given the incidence of the rise in air pollution even the public good characteristics of 'fresh air' are being challenged and again there are class elements as to whom is most adversely affected by air-borne pollutants. Nevertheless, the theoretical possibilities of pure public goods offer a rationale for the state provision of certain goods and services. It goes without saying that if consumers cannot be excluded from utilising a good or service or if there is an infinite supply of goods and services then the private sector will not be interested in supplying such goods and services.

More commonly the state is utilised to provide what are known as 'merit goods' (Mackintosh et al., 1996) and to reduce the production of what society regards as 'harmful goods'. Merit goods and services are those goods and services which, if left to the market, would be under-consumed by individuals. Education is a typical merit good. If individuals had to purchase education then from a societal point of view there would be under-consumption; that is, there is a societal benefit in terms of, for example, greater productivity from having an educated workforce. Similarly, some goods and services are detrimental to society and if left to the market would lead to 'over production'. Pollution is a typical example. Of course, it is undesirable to have any pollution produced but it is impossible to produce goods and services without any externalities also being generated. The state therefore acts on behalf of society in an attempt to limit the amount of pollution produced.

It has further been argued by economists that the state has a role to play in supplying goods and services where a 'natural monopoly' exists (Sloman, 2000). A natural monopoly arises when it would be inefficient from a societal point of view to have more than one producer of a particular good or service. This situation arises in industries which have a high level of fixed costs; if these monopoly industries were in the hands of the private sector then this would lead to excessive prices and profits being levied, often for goods and services which are deemed essential. The natural monopoly argument has been utilised as one of the main arguments for nationalisation and municipalisation.

Traditionally, the state also has had further functions - notably in terms of welfare provision, delivering 'from the cradle to the grave' to ensure a basic standard of living for all, and in terms of macroeconomic policy providing economic stability against four key variables, full-employment, low inflation, economic growth and stable balance of payments (Sloman, 2000). The high point of state intervention in peace-time occurred in the mid-1970s as measured by 'total managed expenditure' as a percentage of GDP when it reached over 45 percent (Crawford et al., 2009). However, since this time, with the arrival of a new economic and political orthodoxy we have witnessed a continued decline in state activity, notably in relation to welfare provision with the abandonment of the objective of welfare provision from the cradle to the grave (Cumbers, 2012). Rebounding post 2000, with a further increase in response to the financial crisis in 2008, this long-term reduction in state activity has since accelerated reaching 40.6 percent GDP in 2016 and a projected 38.8 percent by 2020.

The effective and efficient provision of these public services requires a workforce that is appropriately rewarded, incentivised to perform and develop as involved partners, and with local authorities and other public sector employers able to attract and retain suitable staff. The 1 percent cap on increases in public sector pay has been distorting labour markets, impoverishing low paid workers and embedding unfairness into the treatment of major groups who deliver essential services that benefit all in society.

Impact of Austerity

The financial crisis that emerged during 2008 led to widespread economic difficulty across the globe. The scale of the crisis led to negative growth rates in many economies and the banking-led nature of the consequential recession led to a sluggish recovery path thereafter. Whilst it would appear that this recession was no different in scale to past UK and Scottish downturns of the mid 70s and early 80s, the current recession has been exceptional in terms of its impact on advanced economies as a whole. Post 1970 the OECD area had, collectively, never experienced a downturn until 2009. Growth of 0.1 percent in 1982 had been the previous low point prior to the -3.5 percent figure seen in 2009. The more global nature of the most recent recession, with few countries avoiding the pain, helps explain why it has been harder for any individual country to recover. In the case of the UK, pre-crisis levels of public spending as a share of GDP were not high in historical terms. However, post-crisis, falling revenues and rising expenditure has led to a growing fiscal gap. This gap, in terms of borrowing as a percent of GDP, peaked at 10.2 percent in 2009-10, having been only 2.7 percent two years earlier. The previous peak had been 7.2 percent in 1993-94, just after the previous UK recession.

As the economy stubbornly refused to return to growth (or to higher than the historical growth rate, as might be expected from the evidence of previous recessions) then the UK Government, like many others, decided that cuts to spending were needed in order to achieve greater balance in the public sector finances. As a result, in overall spending terms the annual rises since 2009-10 have been unprecedented in their modesty in comparison to the past 60 years. Total UK Government spending grew in real terms by an annual average of around 2.5 percent between 1955-56 and 1999-2000, before accelerating in the 2000s (2000-01 to 2008-09) to an annual rate of 4.5 percent. However, between 2009-10 and 2019-20 total government spending is not expected to see any growth, actually a small fall is anticipated.

The major impact of these cuts in public spending has been felt by Local Authorities both at the UK and Scottish levels. In Scotland, according to the Fraser of Allander Institute (2017), local government spending has been reduced by 9.5 percent since 2010/11, equivalent to £1billion in real terms. There are 30,000 fewer people working in local government than a decade ago – 9 out of 10 austerity job cuts are in local government.

On current projections, austerity is planned to continue until up to 2020/21, but the Scottish government has made very specific commitments for spending over the next 4 years:

- Increasing funds for the health service by £500million more than inflation
- Doubling free childcare
- Protecting the police budget
- Maintaining free personal and nursing care
- Introducing the £750m school attainment fund

Even if we accept that these ring-fenced monies are adequate for the tasks, this means that there will have to be substantial cuts in the rest of the public

sector without additional funding. The Fraser of Allander Institute estimates that without additional funding there will be cuts of between 9 percent and 14 percent in non-protected budgets such as local government.

The austerity programme is continuing apace with the Westminster budget of November 2017 promising further public sector cuts impacting on Scotland. The UK government claims that Scotland should receive an additional £2bn as a consequence of this budget. This is grossly misleading because the UK government have conflated three elements into this figure: financial transactions (loans that have to be repaid), capital (one-off) and revenue (day-to-day) spending.

The revenue implications are the most important and the Barnett consequential of this budget announcement appear to be less than £400m of that £2bn. That includes a refund for police and fire VAT, but with very little extra for the NHS or social care in England, which would have boosted the block grant. However, even that figure ignores the planned cut in the revenue budget, from £14.3bn this year to £13.8bn next year, which means that Scotland faces around £200m of revenue cuts - £2.6bn by 2019-20.

Within Scotland, the original budget cut local government allocations by £327m (in real terms). The Scottish government later announced that £160m will now come off that figure, so the cut is reduced to £167m. However, this conflates revenue and capital funding and it is revenue funding that pays for day-to-day services, most jobs and pay. The original budget cut revenue funding by £355m and only £130m of the new funding is for revenue – so the revenue cut is reduced to £225m. There is an additional complication in that the business rates yield is estimated to fall by £200m.

These initial proposals were revisited in the Scottish Government's Draft 2018-19 budget document, which attempted to address some of the issues of definitions, confusion etc. in previous budgets as raised by the Budget Process Review Group (BPRG, 2017). The implications for local government of this draft 2017-18 budget have been summarised in a SPiCE Briefing (Burn-Murdoch, Campbell and Aiton, 2017) and, building on the budget document, they have offered a set of consistent and robust statistics of proposals and changes in recent times. Their report shows a total allocation to local government in the 2018-19 Draft Budget of £10,384.1m, mostly made up of General Revenue Grant (GRG) and Non-Domestic Rates Income (NDRI), with smaller amounts for General Capital Grant and Specific (or ring-fenced) Revenue and Capital grants. Once Revenue funding in other portfolios is included (as set out in the Finance Circular), the "Total Core Local Government Settlement" is £10,507.1m. Further, once all funding outwith the local government finance settlement (but still from the Scottish Government to local authorities) is included, the total is £10,868.1m. Finally, if "other sources of support" are included the total rises to £11,334.1m.

Including the additional Revenue funds included in the Local Government Finance Circular the headline numbers (slightly different to those in the Draft Budget) show "Total Revenue" is forecast to fall by 0.2 percent in cash terms (-£17.1m) and by 1.6 percent in real terms (-£157.3m). While the Scottish Government has provided funding for welcome new polices on childcare, schools and indirectly for social care, it is estimated the funding for core

services has reduced significantly in recent years so that the latest proposed budget settlement will represent further declines following reductions between 2013-14 and 2017-18 of 6.9 percent in the local government Revenue Budget, whereas the Scottish Government Revenue Budget fell by only 1.6% (again, including Non-Domestic Rates Income on both sides).

Each local authority also has the option of mitigating further by increasing the basic rate of council tax by up to 3 percent again, generating up to an £77m across Scotland if all agree to raise by the full amount. A number of councils have already indicated that they will not be increasing the council tax, either at all, or by less than the cap. They argue the Scottish government is not increasing its basic rate of tax (income tax), so why should they increase their basic rate of tax (council tax). This emphasises the point that the allocation formula coupled with local tax decisions will mean variations across the country.

Then councils will point to what are often called 'unavoidable commitments' – additional spending that the council has no discretion over. The biggest of these this year is the Apprenticeships Levy, which could cost councils a total of around £25m. There will be others, although some of these are covered by ring-fenced grants, such as the living wage in social care. Other ring-fenced grants are for new spending that does not help the base line budget. Councils can mitigate further by using reserves, commonly done in an election year but increasingly problematic – see below.

Some 30,000 jobs have been lost over this period. If local government has had as good a deal as the Scottish Government claims, it can be asked why have nine out of ten austerity job losses in Scotland been in councils? Evidence to the Local Government and Communities Committee and audit work carried out by Audit Scotland in recent years has highlighted that local authorities may be increasing fees and charges for services to offset budgetary pressures. SPICE gave an overview of fees and charges (Burn-Murdoch, 2017, p.1), and revealed that between 2010-11 and 2015-16 income for Scottish local government as a whole from fees and charges for services had increased by almost 13 percent.

The research undertaken by SPICE (Burn-Murdoch, Campbell and Aiton, 2017) notes that pay negotiations are conducted between local authorities and council employees so the Government's pay policy does not apply to council employees. However, SPICE has estimated that, if local authorities apply the Scottish Government's pay policy, this would cost around £150m in 2018-19. As they estimated the funding available to local authorities for core services (GRG + NDRI) is due to fall by £49.1m in cash terms, and "total Revenue" funding is increasing by £3.2m, councils would face challenges in matching this pay policy commitment. Suggestions in the Scottish Parliament (<http://www.bbc.co.uk/news/uk-scotland-scotland-politics-42365171>) that the price of Green Party support for the Draft 2018-19 Budget would be an additional £150m for local government would meet the requirements to make fulfilment of the pay policy affordable.

The Case for Local Authority Provision

This report has so far highlighted the role the state plays within a modern economy and further analysed what has made this more difficult in recent times, mainly through fiscal tightening due to policy initiatives undertaken in the name of austerity. Local government is democratically elected and provides a breadth of essential services to Scotland's communities which:

- support and protect all in our society;
- tackle inequalities; and,
- promote a fairer Scotland through inclusive growth.

Local government creates opportunities for every citizen which strengthens communities.

Local government is a key economic driver:

- Employing 10 percent of Scotland's workforce
- Procuring £6.3bn of goods

At this point it is worth identifying the services provided by Local Authorities: (information from COSLA)

Children's Services-

Councils protect the most vulnerable in society. In 2015-16, 15,300 children were 'looked after' or on the child protection register.

Adult Social Care

Adult social work services support and protect vulnerable adults, allowing them to live independent lives and ensuring they have access to the services they need. This area is under significant year-on-year budgetary pressure, as needs become more complex. The number of people 75+ is expected to double by 2039.

Support for Carers

Councils provide vital support to adult and young carers, helping them to manage their caring role.

Youth Justice

By intervening early, Councils have seen offending by young people halved since 2008, with a 70 percent reduction in the number of under 18s in custody and an 83 percent reduction in young people referred to the Children's Hearings System on offence grounds.

Providing Affordable Housing and Tackling Homelessness

Councils are playing a vital role in the delivery of 50,000 new affordable homes by contributing half the cost of meeting their commitment to this target. Alongside building new homes, Councils are ensuring their existing stock is not only maintained but also meets the highest standards for energy efficiency.

Welfare Advice and Support

Helping deal with debt and the consequences of debt is an important aspect of Councils' work. The total combined debt of all clients who sought advice in 2015-16 was around £241m.

Human Rights

Local authorities have been integral to the development and delivery of a distinctive Scottish approach to the integration of refugees and asylum seekers in Scotland.

Regulatory Services

Trading Standards and Environmental Health (includes Building Control), with these services under significant threat due to cost pressures which have seen budgets reduce significantly.

Waste Management and Energy Efficiency

Councils are contributing significantly to protecting the environment through reducing waste, encouraging recycling, improving energy efficiency and tackling fuel poverty.

Healthy Lives and Social Inclusion

Councils play an integral role in promoting healthy lives across communities and providing access for all to services which can improve their health and well-being. This includes providing sport facilities, leisure centres, libraries, museums and parks, as well as organising or promoting cultural activities.

Education

A key contributor to economic growth is ensuring all our children are properly educated and reach their full potential and individual aspirations. Councils spend £5 billion a year on educating children (age 2 to 18), with educational services covering early years as well as school-based and community education.

Economic Growth

Councils make a significant and essential contribution towards inclusive economic growth both locally and nationally. Local authorities are major employers and combined directly employ 244,300 people or around 10 percent of the national workforce.

Roads and Infrastructure

Despite financial pressures, Councils are continuing to maintain roads at a stable level and are providing a wide range of infrastructure to support and sustain communities such as schools, libraries and community centres.

Transport

Transport is a major driver for the economy and a lifeline for many people, including those who must travel to access work, education, health care or other amenities.

Austerity Cuts to Local Government: An Impact Assessment on Economic and Social Policy Terms.

Background

Austerity policies have been hugely damaging to the economy, as well as having a devastating impact for too many, particularly the most vulnerable. Yet further public spending cuts are coming, piling financial pressures on already hard-hit public services. According to Audit Scotland, The Scottish Government reduced revenue funding to local government in 2016/17 by five per cent in real terms. This equates to an 11 per cent reduction in revenue funding between 2010/11 and 2016/17 (Audit Scotland, 2016). By 2020 the Scottish budget will have been cut by £2.9 billion in real terms. Local government is set to see further cuts of 9-14 percent and has already borne the brunt of austerity measures as the only Scottish Government budget that has had a cash cut (UNISON, 2014).

Local governments face major challenges, not only from continued reductions of their funding from the Scottish Government, but also due to greater demands for services from an ageing population and, in parts of the country, a growing school population (Audit Scotland, 2017). The scale of these challenges continues to grow as policy and legislative changes, such as the ambitions of the Community Empowerment (Scotland) Act 2015, are also placing additional demands on councils and changing how they work (COSLA, 2017).

Councils are increasingly relying on the use of reserves to bridge projected funding gaps as well as a dependency on incremental changes to services, increasing charges and reducing employee numbers in order to make savings (MacNab, 2017). For example, there are now 30,000 less people working in local government than a decade ago, with 9 out of 10 austerity job cuts taking place in local government (Fraser of Allander Institute, 2016). The impact of these changes not only increasingly effects staff members of local authorities, who are expected to cope with increasing service demands using less resources, but also hits those on the lowest incomes who, unable to afford alternative purchase services, heavily rely on reduced or potentially withdrawn council services (UNISON, 2016a). Thus, the scale of cuts to a range of vital services has not only resulted in fewer staff, but also higher costs and less access for the people who rely on them most.

Austerity cuts in local government have had, and will continue to have, an economic and social impact on the communities they serve. As mentioned previously, most councils have reduced their workforces to save money, and many are planning further staff reductions³. However, reductions in spending tell only part of the story, as local government also have to cope with rising costs and demands. In doing so, they need to ensure they have people with the knowledge, skills and time to design, develop and deliver effective services in the future. Importantly, in terms of front line services, as cuts in

³ Although there was a constructed brouhaha in the media around Christmas 2017 based on the Audit Scotland (2017) report, there was no criticism by Audit Scotland in that report of poor decisions by local authorities and recognition was given of Scottish Government proposals to limit payments.

spending power and budgeted spend are systematically greater in more deprived local government than in more affluent ones, local authorities also need to take significant steps to protect poor and vulnerable social groups from the most severe effects of austerity. Austerity policies have a significant impact on the economy, as well as the potential to have a devastating impact for too many, particularly the most vulnerable. Therefore, the following section of the report aims to provide an overview of the economic and social impact of austerity cuts to local government, with a focus on the pressure local governments are facing to provide statutory services under austerity, the impact cuts are having on services, and the consequences for service users in communities as a consequence. In particular, attention is given to the social impact cuts are having on the most vulnerable community services.

Pressure on Local Government

The local government is responsible for a breadth of essential services to Scotland's communities to support and protect society, tackle inequalities and promote a fairer Scotland through inclusive growth. Not only this, but local government is a key economic driver that employs 10 percent of Scotland's workforce and procures £6.3bn of goods (COSLA, 2017).

In the year 2017/2018 local government received £9,640 million in revenue from the Scottish Government, an 8 percent reduction of funding in real terms from 2011/2012. In terms of public services, this has equated to a substantial downward shift in the funding of core services, with additional resources directed towards Scottish Government led policies. The structure of the budget has further compounded this, with 58 percent of the budget protected by Scottish Government policy priorities, which has resulted in the remaining 42 percent absorbing the cuts (COSLA, 2017). Taking into consideration that both inflation and demand growth need also to be incorporated into the budget, COSLA (2017) argue that this has resulted in cuts towards vital services such as economic development, public protection and employability in order to absorb funding shortages. Consequently, cuts are hitting the most vulnerable groups of society and thus creating further inequalities. It is generally thought to be the case that poorer households will suffer more, in terms of the impact on their quality of life, from cuts to key social services e.g. provision of elderly care, access to public sports facilities etc (UNISON, 2016b).

Disparities exist between local authority cuts. For example, it estimated that councils in the most deprived areas cut spending between 2010 and 2013 by £90 per head more than the most affluent councils, with the west of Scotland councils suffering more than the east (UNISON, 2014). Furthermore, UNISON (2014) highlight that local authorities in the most deprived areas are more grant dependent and therefore cuts in spending power and budgeted spend are systematically greater in those areas. The Joseph Rowntree Foundation (2016) also underlines that councils are experiencing increased demand for services as a consequence of austerity cuts with increased social risks including higher drug and alcohol abuse, deteriorating domestic situations and increased unemployment and debt. Local authorities in deprived areas will also be hardest hit by the loss of £1.6 billion annually from the Scottish economy due to welfare reform (UNISON, 2014).

Local authorities' attempts to manage the cuts and still deliver the same statutory services, as well as respond to increased demand for some services, has presented a considerable challenge (Hastings et al., 2013). In previous years, the narrative has been that impacts have been mitigated by the ability of councils to focus savings on back office or other efficiency measures (UNISON, 2017). In reality, savings made by local authorities have required an overall reduction in the local authorities' workforce, with existing staff having to accept year on year real reduction in wages, and substantial improvements in efficiencies related to streamlining of services, as well as an increase in charges (Hastings et al. 2013). For some local authorities, as a consequence of austerity cuts in the year 2016/2017, 19 councils have had to draw on £79 million of cash reserves to keep afloat, double the number who resorted to that measure the previous year. In particular, Clackmannanshire, Moray and North Ayrshire councils are faced with running out of General Fund reserves within two to three years if they continue to use them at the level planned for 2017-18.

As local government works under intense pressure to develop long term sustainable responses required to make substantial savings, local authority staff are at the forefront of trying to protect service users from the brunt of the cuts by taking on extended workloads (JRF, 2016). Staff reductions in previous years have led to an increase in workload for remaining staff and reduced number of staff in operational roles. This has led to increased reports of high levels of stress amongst remaining members of staff due to overwork, reduced morale and job insecurity. Furthermore, voluntary redundancy schemes and reduced employment opportunities have led to less experienced staff taking on the increased workload. Long hours and unpaid overtime, have sent stress levels soaring, which hits sickness levels and puts more pressure on other staff. Underemployment and precarious employment have also increased within local government; with reports from UNISON (2014) showing there has been an increase in underemployment as well as evidence that staff are working multiple jobs on precarious contracts. Further compounding these stress factors, most public sector workers have had to endure a pay freeze, an effective pay cut of £1600 a year fall in real wages since 2010. This not only impacts the workforce but also the local economy as local economies get a boost thanks to fair pay and a Living Wage because workers spend much of it in their own communities.

Services under Pressure

The cuts have not impacted uniformly amongst services, with some having more protection by statutory responsibilities, policy priorities and levels of demand. Long-term, preventative approaches are being compromised by the need to make short-term savings (JRF, 2016). Preventative services, such as services for children, young people and adult care, play an important role and are increasingly under threat. Factors related to cuts and loss of organisational capacity are impeding important preventative activity, these not only harm individual welfare and constrain opportunities but also will have a long-term effect.

It is clear that local governments have taken significant steps to protect services used by poor and vulnerable social groups from the severe impact of

austerity measures. Social care, for example, has been least affected by cuts but even still social care spending has fallen in real terms in the most deprived communities by £65 per head or 14 per cent (Hastings et al., 2013). Further cuts to local government budgets will mean that there is less and less scope to make the required levels of saving from other services and therefore it is likely that these social care services will witness more substantial cuts in the future. Those classed as vulnerable and low income groups will be affected much more adversely by these savings as public services play a much more important role in their lives (JRF, 2016).

Local authorities have attempted to alleviate the impact of cuts by revaluating service provisions and making smaller changes to a wide range of services, for instance the reduction of hours and locations where services are offered (Scottish Parliament, 2017). Examples of these changes include cutting library and leisure centre opening hours, which may on the face of it seem an incremental change. However, these changes can prevent some individuals in communities accessing valuable services. Poorer households are more reliant on a range of public services so feel the cumulative impacts of multiple small cuts. For those on low incomes, especially, these small changes may have a sizeable impact and present significant or outright barriers to accessing services (JRF, 2016). Additionally, the introduction of charges for non-statutory services, increased travel times due to changes towards centralised services, and costs can represent an absolute barrier to access for those on low incomes. While more wealthy service users have the option of buying alternative services or may not experience the same travel barriers, disadvantaged service users are becoming increasingly confined to their homes and neighbourhoods (JRF, 2016).

Educational services have also witnessed some cuts in Scotland, with larger reductions in spending reported for the local government. Net spending on both primary and secondary education of these service areas declined in real terms between 2010/11 and 2015/16 (Fraser of Allander Institute, 2017). Cuts in number of classroom assistants and support staff have led to an increase in staff workloads and affect both teachers and pupils, particularly those who require additional support (UNISON, 2017b). In addition, other services for children and young people have been reduced, including play centres, afterschool clubs, youth clubs and music tuition (JRF, 2016). These services are vital in contributing to pupils' overall attainment by broadening their skills, knowledge and building confidence. Again, this will hurt the children from low income families the most as better off families will be able to provide these services through other means outside of school (UNISON, 2017b). This not only directly impacts the students but also has an impact on the widening attainment gap the government has pledged to tackle.

In the JRF (2016) report, council and voluntary sector staff reported rises in overall levels of need and that the needs of the most vulnerable and disadvantaged are becoming more intense as a consequence of austerity cuts. In particular, social workers, housing officers and advice workers reported receiving clients with greater mental health problems and problems related to housing due to benefit reductions or complete withdrawals through welfare reform. The strain this then places on services means that users may have to wait longer for services, find it difficult to make appointments to and

are given less time with staff to access services (JRF, 2016). These factors have the possibility, overall, to increase residualisation of services- where services once used by a cross section of the population become services of last resort and will impact upon the quality of service received by users. In particular, services deemed as 'pro poor' such as social care and housing are at high risk of becoming residualised due to cuts.

Cuts have also impacted services to neighbourhoods, where charges related to different categories of waste removal, such as large items, have been introduced. On top of this, local government have also cut back on the frequency of street cleaning in an attempt to make savings, which has led to more litter, flytipping and problems with vermin in some areas (JRF, 2016). This not only has an economic impact related to loss of operational staff but can strongly affect on local spaces becoming unusable. Reduction in local wardens too has occurred as a consequence to cuts and has led to a loss of key frontline staff dealing with crime prevention and community development. Warden schemes provide a valuable local presence and can be seen as part of the process of rebuilding and strengthening local communities as they provide a local point of personal contact to whom residents can relate (Moss and Stephens, 2006).

Summary

If local government continues to face the same level of grant reduction, there are extremely difficult choices ahead. As it stands the level and speed of cuts is not sustainable in the long term. Whilst the demand for services will continue to grow the fall in budget is placing increasing pressure on local government and its staff. Those hit hardest by the cuts are the poorest groups in local communities, who are, and will continue to be, unable to cope with service reduction or the complete withdrawal of certain services. Local authorities are facing the risk where they will be unable to meet their statutory duties and unable to deliver critical services to their poorest and most vulnerable citizens. If the cuts must continue, the scale and speed of cuts needs restrained to allow local governments the time to develop new reforms and capacity to address fiscal restraints as well as allowing for the continuation of statutory service provisions and the development of new services in the long term.

How Councils Could Do More to Strengthen the Economy if They Had Additional Funding

Public procurement

Scotland's local authorities are uniquely powerful bodies encompassing three pillars based on public expenditure, statutory obligations and discretionary powers. The range of competencies across policy and service delivery within the localised fit of the 32 councils that make up local government provides local authorities with a scope and flexibility unmatched by other institutions. Additional funding of local government would facilitate public service delivery that is affordable, rises to the challenge of tackling inequalities, and supports economic growth across Scotland. The following section draws upon examples of how local government could strengthen the economy, paying particular attention to procurement process, service provision and regulation.

One means in which local government can make a strong impact on the economy is through public procurement and how it is carried out. Councils also contribute to local and national businesses through procurement. Each year councils spend around £6.3 billion on procurement generating significant value and demand for the economy (COSLA, 2017). Through procurement the domestic policy agenda can be promoted, including local employment, training opportunities, and environmental sustainability. In an attempt to reduce costs, however, as well as reducing the amount of public administration, public authorities have tended to bundle up orders for goods and services into very large packages. This places power onto larger corporations, which face insufficient competition for contracts as small firms are shut out from competing. For example, small Scottish firms have often been unable to get over the barriers to entry before they can be considered as potential suppliers for public sector contracts and an increasing use of companies from outside Scotland has occurred. This practice not only favours big corporations, often at the expense of small businesses, but also regularly at the expense of the wider public interest (Cuthbert and Cuthbert, 2012). Public contracts and invitations to tender need redesigned to make them more friendly to small and medium sized businesses within Scotland: for example, large contracts should be unbundled (Cuthbert and Cuthbert, 2007). This will not only contribute to the economy in the form of fostering growth amongst local SMEs and increasing local job creation but has important social outcomes in relation to community development.

There are lessons from the analysis of the legacy programme of Glasgow for the 2014 Commonwealth Games (CWG) which demonstrated that the city and partners could generate significant benefits to the local and regional economy through innovative public procurement practices and processes (Christie and Danson, 2016). These are consistent with the Whitehall papers (Cahn & Clemence, 2011), and the exploration of 19th century municipal enterprises by Webb (1893), which focused on interventions by particular authorities whether local, regional or national. Building on decades of policy, practice and experiences with partnership working within and across the public sector, the Glasgow CWG legacy has been suggesting that public entrepreneurship and enterprise can be pursued in innovative ways to benefit actors and communities.

Critically, this legacy programme confirmed the need for working pro-actively and entrepreneurially with contractors, sub-contractors and SMEs as well as Business Gateway and development agencies. This means embedding within major capital programmes strong Community Benefit Clauses which require local firms and labour to be integral to the supply chain, that training and apprenticeships are essential factors, that the Living Wage and other forms of inclusion are respected, and that SMEs are guided and advised on how to be included and successful in tendering for work.

The evidence is that the businesses and citizens of the city and region had the opportunity to benefit from the CWG mega-event and that the good practices implemented there can be applied in the delivery of many more public contracts. Christie and Danson (2016) concluded that passive anticipation that jobs, orders and incomes would flow automatically with the attraction of the Games would not have delivered the actual and potential benefits which have continue to flow over this decade.

Supporting local businesses

Additionally, local government invest more than a quarter of a billion pounds a year in promoting economic growth and providing direct support for business. In 2015/16 councils supported around 16,900 businesses and supported 21,600 unemployed people into jobs within their local communities (COSLA, 2017). With additional funds, local authorities would be able to invest further in these critical aspects of supporting economic growth. Further investment in employment and skills, through modern and craft apprenticeships and probationary teachers, to help equip young people to enter the marketplace.

Living Wage

Internally, local authorities can contribute to both the local and national economy through the increase of workers' pay, which has endured a pay cap since 2013, by incorporating the Scottish Living Wage (Petrie and Tinson, 2017). This has already taken place for employees directly employed by the Scottish Government but local authorities are independent, autonomous bodies and as such decide on their own terms and conditions of employment and set their own rates of pay. Increased tax contributions from higher income tax payments etc. along with reduced benefit expenditure result in central government recovering part of the cost borne by local government. Considering how these savings might be used to fund an increase in earnings for local government workers is one way the government can meet their objective of helping this group. Not only does increasing the wage of public sector employees have an economic benefit, as they are likely to spend wages in communities they live in, but as Save the Children state *"implementing the Scottish Living Wage contributes also to tackling in-work poverty and can play an important role in tackling child poverty in Scotland"* (quoted in Park, 2012, p.4).

Longer term support

Stepping away from focussing on short term savings that distract and undermine attentions to long term preventative services, local governments would be able to play a full part in delivering improved and sustainable

outcomes based on the increasing needs and demands of individuals and communities, with a clear focus on prevention and early intervention. An overall appropriate funding settlement and package of measures would enable local authorities to maintain, and increase, the pace of reform needed to improve the vital services on which the people of Scotland depend and value (COSLA, 2017). A key service that contributes to economic growth at the local and national level is ensuring children receive a high standard of education and support to achieve their full potential (COSLA, 2017). If additional funding were received, for example, local governments would have the option to increase support in this area without impeding on other vital services' budget. At operational level, this would enable local authorities to increase the numbers of classroom assistants and support staff within schools, thus reducing current overworked staff's workload and providing the additional support to students who require it. In addition, other services for children and young adults, such as play centres, youth clubs, and after school clubs, could be offered more widely and further contribute to the overall attainment of students and therefore bring us closer to closing the attainment gap. This has the potential to both improve future economic prospects as well as reduce future public spending on 'negative' services and improves wellbeing amongst those in communities.

Local government also plays an integral role in promoting healthy lives across communities in Scotland and providing services for all to improve health and wellbeing (NHS, 2017). Increased funding would allow further facilitation of services such as leisure centres, museums, parks and the promotion of cultural activities. The cultural and social benefits of these services also encourage people come into and participate in their communities and are very often tourist attractions in their own rights, thus helping to grow inclusive local economies (COSLA, 2017). Accessible transport to such services is a major lifeline within communities and contributes as an overall driver of the economy. Accessible transport also helps improve the lives of those in local communities, particularly to those on lower incomes, allowing them access to work, education, health care and other amenities. With additional revenue, local governments can ensure transport is accessible to all sections of society and avoid expensive and infrequent public transport that can act as a barrier to access for poorer service users.

Regulatory services play an important part in the economy and have witnessed a substantial decline in workforce since 2010/2011. For example, there has been substantial reduction of both the Trading Standards and Environmental Health services workforce (COSLA, 2017). Long term this is unsustainable, given the dominance of both services' ageing workforce, as well as the potential increase in demand for regulatory support that may occur as the UK pushes forward towards Brexit. Additional staff are required that allows for better support to be given, particularly to SMEs during this time of uncertainty around regulation as well as ensuring correct standards are being met.

From the examples given above it is clear that effective measures need to be taken that are placed in a coherent economic strategy, which takes account the economic circumstances of Scotland. Rather than emphasis placed on cutting costs at whatever means there are alternative methods this can be

done. For example, further consideration is needed of the ramifications current procurement policy for business and the employment situation in the country as a whole. Unbundling procurement and developing a policy that brings on local firms will benefit SMEs and the local communities where they are placed. Stepping away from focusing on short term savings and placing focus on preventative services will also strengthen the economy long term and has the potential to reduce future public spending on 'negative' services as well as improving wellbeing amongst those in local communities. Overall, additional funding of local government would facilitate better public service delivery that is more affordable, rises to the challenge of tackling inequalities, and further supports economic growth across the 32 councils of Scotland.

Economic Impact of Raising Local Government Wages

Based on the work by Petrie and Tinson (2017), an estimate can be made of the overall impact on public finances of the 2018-19 pay claim to the NJC of raising all pay points below the voluntary UK Living Wage (as calculated by the Living Wage Foundation based on the cost of living as currently £8.75 per hour) to meet this level, and each subsequent pay point to be increased by 5 percent. Compared with a Gross cost to local government of about £71m (assuming Scottish uplift is proportional to relative local government employment here compared with the aggregate in the UK), the Net public sector cost after indirect taxes to Scottish and UK governments combined is about £36m. While not all the tax and National Insurance (NI) receipts would accrue to the Scottish budget, this suggests the significant level of self-funding from raising public sector wages. The analysis from SPiCE compares the costs of implementing a 1% pay award with meeting the Scottish Government's pay policy in full and estimates the additional costs around £90m in 2018-19 i.e. the new pay policy would cost £90m over and above the costs of a 1% pay settlement (Burn-Murdoch, Campbell and Aiton, 2017). Applying the factors from Petrie and Tinson (2017) above would point to a net public sector cost to the UK exchequer overall of about £45m, but this would be higher for Scottish authorities as some taxes would accrue to the HMRC outside of Scotland.

Studies of the impact of such public expenditure increases can capture the wider macroeconomic effects by recognising the indirect and induced changes across the economy as the rises in initial wages lead to multiplier effects. ASPE has argued that a well-managed local economy with an "absence of private shareholders, favourable employment terms, conditions and opportunities for staff and sustainable procurement practices all mean that as little money as possible leaks out of the locality. For every £1 earned by Swindon's in-house team, an extra 64p is generated in the local economy. If anyone wants to put a figure on the public value of direct employment, that £1.64 is it" (APSE, 2008). In other words, the local income multiplier in that area is 1.64. Consistent with this, recent detailed estimates for Scotland suggest an employment multiplier of 1.9 for 'Public Administration & Defence' in Scotland and as we have demonstrated (Danson et al., 2016) that the defence element contributes lower than this average to the Scottish economy so the local government element is greater than 1.9⁴, while Brian Ashcroft uses a lower employment multiplier of 1.66 for similar calculations⁵. The income and GVA multipliers in Scotland are of similar magnitudes at 1.5 and 1.7 respectively.

Together these calculations suggest that increasing wages and salaries in Scottish local government by the 2018-19 Scottish Public Sector Pay Policy would cost the public sector about £45m and generate an increase in Scottish incomes overall by £67-68m with GVA improving by slightly higher amounts

⁴ [http://www.gov.scot/Topics/Statistics/Browse/Economy/Input-Output/Downloads;Leontief Type 2 Inverse and Type 2 Multipliers and Effects 1998-2014, Type II, output, income, employment and GVA multipliers Scotland 1998-2014, \(SIC 2007 basis\)](http://www.gov.scot/Topics/Statistics/Browse/Economy/Input-Output/Downloads;Leontief%20Type%20Inverse%20and%20Type%20Multipliers%20and%20Effects%201998-2014,%20Type%20II,%20output,%20income,%20employment%20and%20GVA%20multipliers%20Scotland%201998-2014,%20(SIC%202007%20basis)) , Scottish Government, 2017

⁵ <http://www.scottisheconomywatch.com/brian-ashcrofts-scottish/public-sector/>

over and above what they would have been with a 1 per cent wage increase. Jobs would also be generated across Scotland as wages were spent in shops and on local services. Previous research on public procurement and contracting (Christie and Danson, 2016) have pointed to the potential for these multiplier effects to be both realised and enhanced through proactive strategies at local and Scottish levels, as discussed in the previous section.

While the Scottish input-output tables show the construction industry potentially having higher impacts than public administration expenditure, with Income (1.8), Employment (1.9) and GVA (2.0) multipliers compared with 1.5, 1.9 and 1.7, respectively, these should be qualified according to the type of project, level of worker employed, etc. Indeed, as Maclennan (2016) and others have argued, although there is a need for more qualified and detailed analysis and data on such impacts, some large infrastructure projects lead to lower multiplier effects as they have a larger non-local/Scottish degree of input. While there may be better value-for-money in some projects from attracting rUK or European contractors, the overall impacts may be poorer as shown in Christie and Danson (2016).

To the extent that the final Scottish budget allows the revised 2018-19 Public Sector Pay Policy to be fully funded, this will deliver a three percent pay rise for all earning less than £30,000; cap the pay bill at two per cent for all those earning more than £30,000; and limit the maximum pay uplift for those earning over £80,000 to £1,600. This might cost Scottish local government some £90 million and expand the Scottish economy by £70 million in terms of GVA and incomes. Because of the specific form of devolution of income taxes (see Annex A, Scottish Budget: Draft Budget 2018-19⁶) and the imperative to match UK outcomes in growth of income tax revenues, this strategic move towards a more progressive pre-distribution of income in the labour market should contribute to this objective. As the propensity to consume, and especially to spend locally, by lower income groups and workers leads directly to a higher income multiplier, there is an advantage to local authorities complementing this redistribution in favour of their lower paid employees.

The overall thrust of the Scottish Government's draft budget is therefore beneficial in ameliorating the impacts of UK Westminster austerity cuts but this is dependent on the rise in public sector pay being made affordable by further adjustments to tax rates and allowances for those on above incomes, and to complementary innovations in public procurement practices.

⁶ <http://www.gov.scot/Resource/0052/00529171.pdf>

Innovation in Local Government Support for Local Economies

This report now identifies and discusses a number of innovative ways in which local services are being delivered as they can offer improved means of delivering services and value for money but sometimes this can only be achieved through changes to workers' contracts.

With continuing austerity and cuts to Local Authority budgets there is an ongoing leakage of union members accompanying the decline in the Local Authority workforce. This decline in membership will be accompanied by a declining influence at all levels of civil society. Whilst Local Authorities have reduced service provision, community needs and demands have not diminished. In response to this reduced service provision what has been witnessed is the establishment of new 'third sector organisations' which are playing an increasing role in the delivery of largely local services. These 'third sector' organisations have been encouraged under 'Community Empowerment and Engagement' strategies generally and supported to some degree by legislation enacted at the national level through, for example, the 'Community Empowerment (Scotland) Act'⁷, 'Community Right to Buy' under Land Reform and other asset transfer measures⁸, and through the encouragement of social enterprises.

These 'third sector' organisations pose both a threat and an opportunity for unions generally and UNISON particularly. The threat originates from the reality that many of these new forms of organisations, whilst allowing individuals to join a trade union, do not recognise the collective voice of a trade union; hence it becomes difficult to defend comparable, that is comparable with Local Authority, union jobs, pay and conditions. This could undermine pay and conditions within Local Authorities. The opportunity arises from the potential of increasing recruitment amongst the workforce within this sector.

In parallel, there have been major housing stock transfers out of municipal control to social enterprises with consequences for trade union membership, collective bargaining and coverage. Further, increasingly councils are using ALEOs (arm's length external organisations) to deliver public services, such as leisure services, arts & culture services, economic development, property maintenance, and employment services. An appreciable proportion of the workforce in ALEOs have been forced onto short-term contracts, self-employment and other deleterious terms and conditions that are poorer than in local authorities. It is interesting that in recent weeks we have witnessed an increasing collective consciousness amongst so-called self-employed workers notably Uber drivers and Deliveroo employees.

Community Development Trusts

Community Development Trusts are independent local organisations which take a "bottom-up" approach to regeneration. Their innovation comes from a totally different attitude to previous initiatives in which "experts" defined a problem (sometime incorrectly), money was spent on the problem and some

⁷ <http://www.gov.scot/Topics/People/engage/CommEmpowerBill>

⁸ <http://www.gov.scot/Topics/People/engage/AssetTransfer>

kind of outputs were measured. It seems that there was often a significant gap between the end of project output metrics and the perceptions of the local community. Development Trusts drive community-led regeneration. A recent report states that “In driving community-led regeneration, the Scottish Government needs to take a bold and radical approach, investing in relationships, ideas, leadership, capacity and enterprise in order that local people themselves can make change in their own communities, in their own time and on their own terms.” (p.8, Local Government and Regeneration Committee Regeneration Inquiry Submission from Development Trusts Association Scotland⁹, 2013).

These Trusts are community owned, led and managed and their purpose is to tackle an extensive array of social, economic, environmental and cultural problems. Trusts can be in partnership with the public, private and/or voluntary sectors. Importantly, their purpose is to increase self-sufficiency by generating income through enterprise and the ownership of assets ([file:///C:/Users/cias018/Downloads/dtas-tabloid percent20\(1\).pdf](file:///C:/Users/cias018/Downloads/dtas-tabloid percent20(1).pdf)). Indeed, the ownership of assets and the use of these assets to generate income, such that they are self-sufficient is a key part of giving Community Development Trusts a degree of autonomy and control and to empower them to meet the communities’ priorities and to act as their representative. They can take many forms, for example, development trusts; community based housing associations; community councils; registered tenant organisations; community forums (Scottish Government and COSLA, Community Empowerment Action Plan, 2009). Overall, Community Development Trusts are designed to recognise the importance of local communities setting out their own objectives, unlocking the untapped community potential, and creating a local resilience to cope with hard times.

In 2017, the Development Trusts Association Scotland website (<http://www.dtascot.org.uk/>) listed 252 members. In 2011, the Development Trusts Association Scotland surveyed its members (which at the time numbered just under 200) and found that its members had a combined turnover of £39 million (£21 million from non-grant income) and assets of £51 million. (Local Government and Regeneration Committee Regeneration Inquiry Submission from Development Trusts Association Scotland¹⁰, 2013). Their activities range from renewable energy projects, to employment initiatives, to developing community resources. We set out three initiatives here in order to demonstrate the breadth of the initiatives.

Inverclyde Community Development Trust

Inverclyde Community Development Trust contributes to the overall economic development of Inverclyde by providing or creating jobs for people from

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http://www.parliament.scot/S4_LocalGovernmentandRegenerationCommittee/General percent20Documents/8.DTAS-DevelopmentTrustsAssociationScotland.pdf

¹⁰

http://www.parliament.scot/S4_LocalGovernmentandRegenerationCommittee/General percent20Documents/8.DTAS-DevelopmentTrustsAssociationScotland.pdf

disadvantaged groups and areas. It has become a significant local employer with a turnover of £3 million, assets of £1 million and 115 staff.

The Trust provides local care services (deliver dementia care, meals delivery and befriending services), training for the unemployed and a regeneration service. It also runs the Volunteer Centre Inverclyde which provides support to local services through matched volunteer opportunities. The Trust also runs a range of community projects which allow local volunteers and school pupils to get involved in their community, often using cultural activities as the basis for engagement and related informal learning

Community Powerdown

'Community Powerdown', is a consortium of 27 community groups from Shetland to the Borders. These groups are conducting carbon audits and developing action plans. They will then take forward local low-carbon community initiatives including local renewable energy regeneration, home insulation, electric vehicles and allotments and markets. Community Powerdown' is led by Community Energy Scotland and the Development Trust Association Scotland. The £1.5 million funding will allow project officers to be appointed in 25 of the communities and providing the remaining 2 communities with additional funding, giving a massive boost to each community's plans.

Fintry Development Trust

Fintry is a small rural community between the Campsie and Fintry Hills. Fintry Community Council stated that it was keen to explore ways for the village to become greener. A developer, Falck Renewables, approached the Community Council about a 14-turbine windfarm they were proposing nearby. The Community Council saw the potential, both, for developing its own turbine as well as reducing carbon emissions from the community. Four residents formed the Fintry Renewable Energy Enterprise (FREE) and carried out extensive community consultation. After the consultation, the Community Council rejected a community benefit payment from Falck in favour of pursuing ownership of a turbine. It was hoped that this would produce a substantial income.

Following prolonged negotiations it was agreed that 15 turbines would be build, and the community would receive the equivalent of one fifteenth of the total income. The cost of the extra turbine was covered by a loan taken out by FREE. FREE is owned by Fintry Development Trust. It has been claimed that the Trust receives more than £50,000 per year while the loan is being repaid, and potentially over £400,000 once repaid. The income has been used for a home insulation project in which all homes have been survey using infra-red technology to see where heat was being lost from the local homes. Cavity wall and roof insulation has now been fitted to 46 percent of homes and different forms of insulation are being considered for homes unsuitable for cavity insulation. A new village hall heating system has also been provided.

Local Economic Development Fund

In 2016, it was announced that Clackmannanshire, Fife, Hawick and Irvine would each receive a share of the £10 million fund, which was announced in the Programme for Government. The funds were given to set up several different business infrastructure projects; including an enterprise hub in Kincardine, small industrial workshops, spaces for small and growing businesses as well as a new industrial business space in the Irvine Enterprise Area.

Longannet and Fife Task Force Projects

The Fife and Longannet Task Forces were set up in 2015 as a direct response to the closure of local businesses including Tullis Russell's paper mill and Scottish Power's Longannet power station. The aim of the Task Forces was to mitigate the impact of these closures on the individuals and communities affected by:

- Offering employment opportunities.
- Training.
- Advice and guidance.
- Or through other means such as the creation of business hubs

Clackmannanshire Council was awarded £2m to support the creation of business units to enable SME development within Clackmannanshire and a community enterprise hub for businesses, community and social enterprises.

Fife Council was awarded £2.7m to support an enterprise hub and industrial workshops in Kincardine to support diversification and business growth. The enterprise hub, was to be a multi-use building developed and managed through partnership between Fife Council and Coalfields Regeneration Trust. The hub was designed to provide a range of business support services, including Business Gateway Fife services, and a focus for community enterprise development. Eight industrial workshops including utility connections, access and landscaping were to be constructed. These were designed to provide premises suitable for small business and industrial occupiers in the Upper Forth area, which has been significantly affected by the closure of Longannet.

Hawick Action Plan Projects

The £3.625 million funding followed the development of the initial Hawick Action Plan by:

- Scottish Borders Council
- Scottish Enterprise
- Scottish Government
- local businesses and community groups

The Plan was designed to revitalise the town to encourage start-ups and retain growing business in the town. Resources will deliver projects that are key to revitalising Hawick, making it a great place in which to live, work and

invest. They will help develop business accommodation and an enterprise centre which would match future business needs, retaining growing companies in the town and encourage enterprise to start up and grow.

Irvine Enterprise Area Project

The funding of £1.675 million was for the i3 Strategic Investment Campus Gateway Development and enabling infrastructure. Specifically, it was for new industrial business space, road and utility expansion to attract growth companies and investment from life and chemical sciences sector to the Irvine Life Science Enterprise Area and to ensuring quality accommodation to attract growth businesses to locate to the enterprise area, creating 3000 square metres of business space and 2.5 hectares of land brought back into use.

SURF – Scotland’s Regeneration Forum

SURF was established in 1992 as a not-for-profit company limited by guarantee. It is directed by a board of voluntary directors drawn from across its wide cross-sector membership of over 280 organisations. The membership of SURF ranges from small community groups to some of Scotland’s largest private companies. Membership organisations also include local authorities, housing associations, health boards, academic institutions, professional bodies, voluntary organisations and charities. On its webpages, SURF states that since its inception, it has operated from two basic principles:

- Successful and sustainable regeneration is only achievable when all aspects of physical, social, economic and cultural regeneration are addressed in a holistic approach.
- The people who are the intended beneficiaries of any regeneration effort must be meaningfully involved in the process if it is to be successful in planning, implementation and maintenance.

SURF has 12 key delivery partners that provide the organisation with resources (political and financial support) to help us develop the services we provide to the regeneration community in Scotland¹¹.

¹¹ Aberdeen City Council, Capital City Partnership, Creative Scotland, Dundee Partnership, Edinburgh City Council, Glasgow City Council, Glasgow Housing Association, Highlands and Islands Enterprise, Jobs & Business Glasgow, Scottish Federation of Housing Associations, Scottish Government, Skills Development Scotland

Conclusions

During a period of continuing real cuts to the Scottish budget, there are strong economic arguments for pursuing a Keynesian expansion of the economy through investment in infrastructure and a move to a more equal distribution of incomes. Integral to such a strategy should be funding Scottish local government so that their workers are included in the 2018-19 Scottish Public Sector Pay Policy. With enhanced multiplier effects, this would lead to a more effective and efficient means of ameliorating the austerity cuts delivered by the UK government's budget decisions than either tax cuts for the rich or traditional large-scale building projects. Such a move to a better, more equitable distribution of wages pre-taxation would benefit the Scottish economy, and the UK overall (McGregor et al., 1997), in terms of incomes, GVA and employment but also in ensuring that skills and experience are retained and attracted into the public sector. The propensity of those on lower incomes to spend a higher proportion of their money on local goods and for those on higher salaries to be more likely to purchase imported goods and services drives this expansion. Existing public procurement practices can also be improved to raise the local content without damaging the value of such contracts to the Scottish budget or to the delivery of quality outputs. The leakages of spending power out of the Scottish economy are lower, therefore, and consequently the benefits to local economies and enterprises higher from a more interventionist and managed budget than one driven by simple tax cuts even if that means higher income groups pay slightly more than in the rest of the UK.

Similar arguments apply to support for the sorts of local initiatives discussed in the section above. Ensuring that fiscal transfers from higher income groups through general Scottish income taxation to the beneficiaries of these interventions, to carers, and to others in poverty will have equally strong multiplier effects locally and at the Scottish level. While estimates of the net costs to the Scottish accounts of raising taxes by £150m beyond the draft 2018-19 Budget proposals – as might be agreed between the Scottish Government and Scottish Green Party – vary according to assumptions on wage distributions within local government, balance between savings/indirect taxes/spending on imports etc., net expansion should be achieved. In fact, any spending on wages for low paid staff will generate fewer leakages as it is more likely to be spent locally. In comparison to big capital projects like the Queensferry Crossing, with Chinese steel and a labour force drawn from across the UK, if not further afield, raising incomes of the low paid and the poor will boost the economy.

A way forward?

Against this modest set of proposals for ensuring that local government workers are included in the 2018-19 Public Sector Pay Policy, the wider UK strategy of austerity cuts and the peculiarities of the latest devolution fiscal settlement should encourage some deeper changes to be considered. Applying the logic of redistributing incomes to the lower paid and poor as a key element of an inclusive economic growth programme supports such moves and further initiatives are suggested here.

As background, we can assume that the Westminster Government for the foreseeable future is committed to an austerity programme which will continue the squeeze on spending for Local Authorities in both England and, through the Scottish budget, Scotland. As discussed earlier, there have been signals that some discretion for Local Authorities to increase council tax may well be tolerated, up to three per cent in Scotland (SPICE SB17-83) and there has been a slight uplift in income tax rates in Scotland; however, there is still an apparent reluctance for substantial changes in taxation to pay for the much needed investment in public services.

At a Scottish level the variation in council tax rates recently announced, “an increase in multiplier rates for Bands E-H” (SPICE, 2017, 7), should address some elements of the regressive nature of the council tax which should be applauded. Nevertheless, we would argue it was a missed opportunity in terms of the radical overall of local taxation which is required to support local services. We therefore echo the findings of the Commission on Local Tax Reform (2015) that “The present Council Tax system must end, with any replacement designed to be fairer, more progressive and locally empowering”¹². The analysis and conclusions of the Commission suggested “A well-designed local tax system drawing revenue from multiple sources would provide more options for local democracy, delivering greater financial accountability and autonomy to Local Government”, which is consistent with our previous research on potential alternative ways of funding a vibrant and accountable local government sector in Scotland (see Cooper et al., 2010, where these alternatives are discussed in detail). Despite the Commission arguing that opportunities for reform should not be missed the Scottish Government and most other parties will argue that they have done with examining the Council Tax and its variants for this period of government, and there seems little appetite amongst the opposition to propose viable amendments.

This confirms that alternative funding streams should be explored in the meantime. Whilst the vast majority of funding for Local Authority’s comes from the settlement with the Scottish Government “aside from government grant, Non-Domestic Rates Income, and income from the Council Tax, local authorities also receive a range of other income, mainly from sales, and fees and charges for services” (Burn-Murdoch, Campbell and Aiton, 2017,10-11), perhaps it is worth exploring this “other income” in more detail.

Although this “other income” is currently small in comparison to the overall budget and is not known prior to the budget settlement, we would suggest that the ‘entrepreneurial state’ (Mazzucato, 2015) should be exploited more vigorously. Current examples would include charging for parking and enforcement of road regulations, for example motoring offences. On such matters, whilst citizens receiving fines for breaking the law, typically motorists, often creates ‘bad press’ for a Local Authority, we would suggest that parking illegally and driving in bus lanes is anti-social activity and provide a legitimate source of revenue for Local Authorities. Examples from Glasgow and

¹² <http://localtaxcommission.scot/news/options-for-just-change-set-out-as-commission-publishes-final-report/>

Edinburgh have demonstrated that these can generate significant revenue and in a progressive way.

Other entrepreneurial initiatives which should be explored include congestion charges for driving within city centres especially as such measures complement the Scottish Government ambitions of reducing carbon emissions and improving air quality (Scottish Government, 2017). Scotland's leading role in pursuing carbon reduction by e.g. households and in energy generation needs to be matched in transport and logistics, and these initiatives would both raise revenue and encourage mode-switching to bus, train and other sustainable forms. It could be argued that these 'flat rate' taxes are regressive, however it is estimated that... "Around half (52 per cent) of households in the 20 per cent most deprived areas of Scotland have no access to cars compared with close to a quarter (24 per cent) of households in the rest of Scotland" (Scottish Household Survey 2016), hence the regressive argument is somewhat diminished.

Other ideas worthy of exploration include a 'tourism tax'. A recent report into the possible introduction of such a tax in London concluded: "These revenues could be used to support the sector in a number of ways. In most global cities, tourism levies are hypothecated for activities that support the sector, but a wide range of organisations could lay claim to the additional funding. These include, but are not limited to: cultural attractions offering free entry, borough councils maintaining the public realm, London government which promotes the tourism offer via London & Partners; or the industry itself for education and training purposes. The governance arrangements for managing the income stream would therefore need careful consideration, with transparent arrangements in place to manage the disbursement of funds." (Daley 2017 p.3). Furthermore, a small levy could be introduced for conference delegates attending and utilising facilities provided by the tax payers of Scotland.

There is an opportunity for Unison and other bodies with a similar set of objectives of providing quality public services with a well-paid and committed workforce to offer suggestions of how to fund a balanced expansion of the Scottish economy. Capturing the imagination and initiative would invigorate the debate and give power to the argument for higher public sector pay, raising the social wage to the mutual benefit of all taxpayers and citizens (McGregor et al., 1997).

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