

## **THE CHANGING POLITICS OF LOCAL GOVERNMENT IN SCOTLAND**

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### **INTRODUCTION**

The Local Government etc (Scotland) Bill received Royal Assent on 3 November 1994. The legislation follows consultations (McCrone, Paterson and Brown 1993) which have been lengthy and detailed, but which have been likened by academic commentators (Alexander and Orr 1994, p.34) to 'the Henry Ford model of consultation: you can have any model of local government so long as it is unitary'.

The legislation provides for the winding up of the present local government system of 3 island councils, 9 regions and 53 districts. Shadow elections for a new system of 32 all-purpose local authorities will take place in April 1995, and the new councils will be fully operational in April 1996. Much has to happen in this period, including the transfer of some 303,500 employees. This timescale is very tight and may not be adequate for some of the transitions which must be effected by 1996.

### **THE END OF THE DEBATE ?**

Much has been written and said about local government over the last two years. However, most of this effort has been focused on specific issues such as boundaries and the preferred number and size of councils. Most of the discussion has been structured by the Secretary of State's consultation documents, and by the detail of the legislation approved by parliament.

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There is a danger now that, with the passing of the legislation, discussion ceases, or is limited to the mechanics of winding up one system and designing and installing its successor. There is also an opportunity, during the period up to 1 April 1996, to conduct a broader debate about local government which may be of benefit to those who are designing new institutions and structures, and to those who will be elected to give leadership to the new councils. Indeed, the debate on local government is of great relevance to broader discussions on the future governance of Scotland, a point which the Scottish Secretary underlined very soon after the passing of his legislation for local government reorganisation (*The Scotsman*, 12 November 1994).

McVicar, Jordan and Boyne (1994) have approached this broader canvas by examining the recent development of the local government policies of the political parties in Scotland. However, a wide range of issues remains to be addressed, including the role and purposes of local government, the roles of elected councillors in the new system, the impact of new approaches to local authority management, ways in which the new councils may work to strengthen local democracy, the nature of accountability, relationships between local authorities and the Scottish Office, the Scottish Office preference for the new councils to be 'enablers' rather than direct providers of services, the extension of market testing, the specific future of education within local government and the implications of this for local authorities, and a plethora of service-specific issues and debates. In addressing these issues there is also an opportunity to examine and assess experiences in local government elsewhere in Britain and in other countries.

In this article I consider the types of change which must occur within local government by 1996, and then address four issues of concern to local government in Scotland. The first two are general issues: the role of local government, and future relationships between the new councils and the Scottish Office. The remaining two are service-specific: the future of the water industry and the education service. These four illustrate the wide range of issues facing local government, and demonstrate the very different views about the future of local government which currently exist. If the Scottish Secretary (Lang 1994; Scottish Office 1994) is able to claim that to some extent all the political parties favour one tier of local government in Scotland, there simply is no such consensus underpinning other key aspects of the change process.

## **A VARIETY OF CHANGE**

Four types of transition may be discerned. First, the island communities in the Western Isles, Orkney and Shetland will have their own councils. Here there will be the least institutional change, as these communities already have 'most purpose' local authorities and these councils will continue. However, the Act both empowers and encourages councils to find new ways of delivering services and managing service delivery. Already there has been sharp debate in Shetland around some of these issues. Even where the transition is relatively simple, the future of local government may be very unlike its recent past.

Second, in the borders, Fife, Dumfries and Galloway, and the highlands, the new authorities will broadly correspond in their geography to existing regional councils. In much of rural Scotland, regions and districts have collaborated effectively in some service areas. The main issues in these areas are the amalgamation of district functions, and planning for the statutory requirement to produce schemes of decentralisation, where the availability of district traditions and buildings may be a great advantage.

Third, in many parts of Scotland, including the four cities, the new authorities will be geographically similar to the existing district councils. Here the main complexity arises from the difficulty of breaking up the large regional council services such as education and of dealing with a range of specialist services which may not be viable in areas which are smaller than the outgoing regions. Generally such 'disaggregating' change is considered to be the most difficult to manage. These difficulties will be exacerbated if those in the current district authorities do not reassess their existing organisational and management structures, and simply try to 'graft on' the new to the old. The last 'fragmenting' reform of this kind in Britain was the abolition of the Inner London Education Authority and the transfer of its education role to the inner London boroughs in 1990. It is clear from research into that process (Graveson, 1994) that inadequate and inappropriate planning by many of the boroughs not only led to a somewhat chaotic transition but also contributed to a diminished quality of education service.

Fourth, in a number of areas such as North Lanarkshire and Aberdeenshire wholly new local councils are being created. Here the great difficulty lies in planning the transfer of district and regional responsibilities, staff, resources and buildings to organisations which do not exist. It is in these cases that the pressures of the timescale will be greatest.

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It is scarcely surprising that there is no consensus in relation to the timescale which the Act lays down. In some parts of Scotland much of the change process is predictable while in other areas there seems only to be uncertainty. In the former the timescale may well prove to be adequate. In the latter the timescale is extremely ambitious.

#### **THE SCOPE AND ROLE OF LOCAL GOVERNMENT**

The last local government reorganisation in Scotland was informed and shaped by the Report of the Wheatley Commission. Broadly speaking this change was consensual and did not seek to alter the scope of local government. Rather it sought to rationalise, simplify, and create a local government more capable of efficient service delivery, effective coordination, strategic planning, and healthy democracy. In sharp contrast the new legislation reduces the scope of local government and does so in ways which further undermine the existing consensus in Scotland over the role of local government. It reduces the scope of local government directly in two ways: first, by simply removing the functions of water and sewerage, Children's Reporter, and aspects of the responsibility for roads from local government to the Scottish Office or to quangos. Begg (1993, p.6) has estimated a resulting job loss in local government of between 8,000 and 12,000 as staff transfer out with these functions. Second, it requires that the new local authorities oversee the Police and Fire services by means of joint boards, so weakening the relationship to these services of any particular local authority. The main concerns of local government about service delivery through joint boards have been succinctly put by Vernon Bogdanor (1994, p.9): 'Boards, as Jeremy Bentham noticed, are screens, hiding rather than clarifying accountability.'

The Act may also indirectly reduce local authority scope by establishing some local authorities which may see themselves as too small and/or insufficiently resourced to deliver expensive services such as education to the high standards achieved by the regional councils. Arguably, the experience of the generally successful but small islands councils may inspire some confidence, even in the smaller of the new authorities.

The Act permits local authorities to enter into joint arrangements to secure service delivery and encourages an 'enabling' approach to service design and delivery which would see authorities retaining the responsibility for services but increasingly contracting out the activities of service delivery. If they are widely taken up, these aspects of the legislation could see local authorities opting out of a direct service provision role. Generally in Scotland, a strong

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presence in service delivery is considered central to the strategic role of councils and to democratic accountability, though both of these views are increasingly being questioned by those who favour an 'enabling' approach. In Scotland, the enabling approach to local government is identified with the political right and is opposed or rejected for that reason. Midwinter (1993, p.352) specifically identifies the concept with Nicholas Ridley and the Adam Smith Institute. However, in local government, particularly south of the border, enabling has taken a number of forms and has been adopted by some 'left wing' councils, including parts of the Greater London Council (Fairley and Marsh 1992).

The Wheatley Report (paras 113-114), which provided the basis for the last restructuring in 1974/5, considered that there were two main elements in the local government role: the provision of services, and the provision of local democracy. This view commands wide support still in Scotland, across the parties at local level and amongst local authority managers and professionals. However, it has been clear for some time that Government Ministers have been developing a new vision of the local authority and, as a corollary, a revised view of the Wheatley concept.

Scottish Office Ministers are very open about their preference for market mechanisms and specifically for market-led enabling strategies in local government and in public services generally. Allan Stewart (1994) argued recently in a speech to the Institute of Directors

that before the public sector sets out to provide any service at its own hand, it should stop and ask: 'Can we get better value for money by buying this service from the private sector ?'

In November the same Minister addressed a meeting of the Young Conservatives in Perth and argued that local authority direct labour and direct service organisations should 'move into the private sector where they can compete effectively' (**Courier and Advertiser**, 14 November, 1994). In July 1994, Environment Minister David Curry argued that the three essential roles of local authorities should be those of regulator, commissioner of services, and regenerator of communities. Clearly the first two of these are the main roles left if authorities choose the enabling route, as may some of the new councils in Scotland.

Others have argued that local authorities in Britain should be given new responsibilities and freedoms in line with practices developed in less centralised European countries. The principal options which have been outlined include that of the 'power of general competence' (Bogdanor 1994),

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commonplace in Europe, which would empower a local authority to act on an issue where the need was clearly demonstrated. Stewart (1991) has proposed that the Swedish 'free commune' programme of 1984 should be adopted in Britain as it was in Norway and Finland. In its initial form this experiment aimed to test new approaches to local government, to help relate national policies to local conditions, to increase the influence of the public over public services, and to increase local autonomy.

### **RELATIONS WITH THE SCOTTISH OFFICE**

The Scottish Office will in many respects emerge strengthened from its reorganisation of local government. It continues the process of acquiring functions which previously were with local councils. The Children's Reporter service joins further education as an acquisition of the Scottish Office. The Scottish Office will directly control the strategies and appoint the management boards of the three new public water authorities which are being established to take over local authority functions.

New legislative powers in relation to the new authorities have been made available. For example, the legislation provides the power for the Scottish Secretary to instruct joint arrangements, presumably to be used where authorities cannot themselves reach agreement on satisfactory arrangements. The Convention of Scottish Local Authorities (1994, p.3) argued that the legislation, 'on almost a hundred occasions', provides powers of direction for the Scottish Secretary on matters which 'until now have remained the decisions of locally elected and accountable councillors.'

It is possible that, compared with local authorities which will require joint arrangements, the position of the Scottish Office in relation to the uniformed services of Fire and Police will be strengthened. In relation to the largest local authority responsibility, education, the legislation combined with other parallel changes will increase the Scottish Office profile while that of the local councils declines. This is discussed in more detail below.

The Scottish Secretary has argued (Lang 1994, p.21) that because they will have all the available powers and responsibilities vested in them, the new councils will have greater power and authority in their areas. It is hard to disagree with this claim. The new councils in Aberdeen, Dundee, Edinburgh and Glasgow will be stronger than the current local government arrangements in these areas. In so far as the new councils may acquire greater power and authority, they may well be in a stronger position in their dealings with the Scottish Office on local issues. If the new councils are able effectively to combine on some issues, then it may be that, for example, the case for

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modern city government is better put in discussions with the Scottish Office than it could be under the present arrangements.

However, while the cities will find themselves enhanced, there will be no authorities in the new system of the size of the large regional councils. Indeed the Scottish Secretary hails this as a positive achievement of his reorganisation plan. It is clear, though, that the abolition of the large councils will affect central-local relations for local government and for services currently looked after by the regional councils, such as education. In this respect the Scottish Secretary may be missing a very important point when he asserts that there 'is no independence, power or authority to be derived from either sheer size or a two-tier structure' (Lang 1994, p.18).

There is strong evidence to suggest that the large Regions have exercised considerable influence in some areas of policy development and that in so doing they have modified Scottish Office thinking and proposals. It is fairly clear that Strathclyde Region used both its size and its experience of voluntarily devolving the management of resources (DMR) to schools effectively to influence the Scottish Office Education Department's approach to the reform of school management arrangements. In part this power is based in 'sheer size'. A large local authority may simply have more expertise in a particular policy area than has a Government department. It is not yet clear whether any of the new councils will be able to play this kind of role in the governance of Scotland. Arguably democracy is healthier when local government is able at times to offer a check to aspects of central government action.

### **THE FUTURE OF WATER SERVICES**

The future for these services lies 'outwith local government while still in the public sector' (Black 1994, p.27), which will increase the distinctiveness of Scottish public policy as this change is based on the explicit rejection of the privatisation model adopted in England. Black shows that only 1% of the 4,834 responses to Scottish Office consultations favoured privatisation.

As part of the reorganisation of local government, control of water and sewerage will pass from regional and islands councils to three new Public Water Authorities (PWAs) covering North, South East and South West Scotland. The Boards of the new PWAs will consist of the Scottish Secretary's appointees, and, at the time of writing, the opposition political parties are refusing to provide nominations to the Scottish Office, indicating the very deep political division which exists in this policy area.

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The particular change-over to the PWAs attracted very little support during the consultative period, with only 64 (or 0.04 %) of respondents expressing support (Black 1994, p.33). This may prove to be important in the future development of the industry in that when the new arrangements themselves come up for review, perhaps at the end of the decade, they may have no great body of supporters. Local government will by then no longer directly play a role in the policy-making community for these services.

In its over-arching concerns to control the Public Sector Borrowing Requirement (PSBR), Government has paid particular attention to local authority spending. The Government's Private Finance Initiative (PFI) aims in part to lessen the impact on PSBR of major public sector capital projects by ensuring that they are wholly or partly financed by the private sector. Indeed, local authorities had already been exploring these avenues as the only ones available to get round the very tight controls which central government has imposed on capital spending. Amongst the PFI projects announced by the Scottish Office in September 1994 were 15 major water and sewerage initiatives with an estimated combined capital cost of £1bn.

The main device of the PFI in water and sewerage are the so-called 'Build, Own and Operate' schemes, sometimes referred to as BOO schemes. So deep is the political division over water and sewerage, that even technical aspects of the PFI have been publicly disputed, attracting newspaper editorial comment. Strathclyde Region has argued that, in the long run, given the need within the design of BOO schemes to treat profit as a cost, and, given the need to borrow at commercial rates of interest, BOO costs must exceed those of traditional public sector financing. The Scottish Office moved quickly to counter what it referred to as 'the flawed assumptions used by Strathclyde Regional Council', and did so by the very unusual device of issuing a press release solely on this topic.

The water and sewerage issues are also of particular importance because they provide the only area of local government reform on which the general public has been able to express 'voice'. In the absence of the option to 'exit', which is provided by markets, it is generally held to be particularly important for democracy and accountability that the users of public services be given 'voice' (Bogdanor 1994, p.9).

In 1994 Strathclyde Regional Council conducted a referendum on the future of the water industry, and the success of the exercise must have exceeded even the greatest hopes of the most optimistic local councillors. In general election levels of participation - on a parliamentary constituency basis the voter turnout ranged from 62.2 % in Kilmarnock and Loudon to 77% in

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Clydebank and Milngavie - over 95% of voters expressed their opposition to the Government's proposals. This high level of opposition was expressed throughout the Region, including areas normally identified with the Conservative Party. While the Government attempted to ridicule the exercise, with Prime Minister Major criticising the question put in the referendum (**The Herald**, 23 March, 1994), there can be little doubt that the general public wanted to be heard on the issue, that the referendum had come of age in Scottish local government, and that the Government was given the first real fright of its local government reorganisation campaign.

### **EDUCATION AND LOCAL GOVERNMENT**

Education is the largest local government responsibility, accounting for over 40% of the combined revenue expenditure of both tiers in the present system. The reorganisation of local government will have a radical impact on the education service. Responsibility for education in mainland Scotland will pass from the nine regions to all 29 of the successor authorities. The islands councils will retain the education role but may consider new approaches to the design, management, and delivery of the service. Education will go through each of the four types of transition identified above. The imposition of a tight, uniform timescale for change simply fails to recognise that different issues emerge in the relative continuity of Highland and the Islands, compared with say the fragmentation and break up of the service in Lothian and Strathclyde, and the creation of wholly new authorities for education in areas like Aberdeenshire.

The prevailing support in Scotland for Wheatley's preference for large authorities for 'strategic' services, means that some of the new authorities are widely considered to be too small effectively to deliver education. Against this view, however, stands the two decades of experience of the small islands councils in satisfactorily delivering education. Particular fears, based to some extent on the experience of the break-up of the Inner London Education Authority, have been expressed on the future of provision for special needs, and specialist education services, where small councils may be unwilling or unable to secure provision.

The provisions of the legislation which permit joint arrangements and encourage enabling could conceivably be used to deliver education. However, the problems of adequately specifying service levels, which would be necessary as the basis of any joint agreement or contract, would present considerable difficulty and may not be possible in the short to medium term. As a result of the legislation the new local authorities will not be required to

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appoint Directors for the education service, nor to have dedicated education committees. This radical departure from the present arrangements is seen by its supporters in government and in local authorities (Sinclair 1993, pp.11-12) as offering the new councils a welcome new dimension to managerial freedom and flexibility. The opponents of the change, including the Association of Directors of Education, argue that such a large and complex service needs strong, specialist management, particularly when it is being passed over to new local authorities, and when it is undergoing other, radical reforms at the same time as local government reorganisation (Fairley 1994, p.10).

Education in Scotland is currently undergoing a range of rapid changes. The most important of these as far as local government is concerned is Devolved School Management (DSM), a further uniquely Scottish aspect of change. This is proceeding under guidelines developed by the Scottish Office (1993) following consultations with local government, and influenced by the experience of Strathclyde Region's DMR scheme.

South of the border the 1988 Education Reform Act brought in the system of Local Management of Schools (LMS). In Scotland LMS was viewed with some alarm as an inappropriate, market-driven reform which had predictable if undesirable consequences (Pignatelli 1994, pp.12-13) including the fragmentation of education as schools 'opted out' of local government, and the weakening of the local authority role in education. The concern that the Scottish Office might attempt to impose LMS in Scotland, particularly when Michael Forsyth had ministerial responsibility for schooling in Scotland, led Strathclyde Regional Council (1990) to develop an explicitly alternative approach to managerial devolution.

Under the DSM guidelines management responsibilities arising from control of over 80% of budgets passes to school heads in a rolling programme which will encompass the great majority of schools by 1997, and all schools by 1999. While it is widely believed in Scotland that DSM will improve school management, there is much less agreement on the likely impact of DSM on local authorities.

Three possible consequences of DSM are currently being discussed in local government circles. The first is that DSM will inevitably alter the role of local authority education departments. In future they will only have a role in service and support provision where the detail of this role accords with the expressed wishes of individual schools. The second issue is that, where the local authority role in education diminishes, there will be a 'knock on' effect for local government central support services (CSS) provided by specialist

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legal, finance, information technology and personnel staff. Where the role of CSS is reduced as a result of DSM, then CSS cost structures will alter, perhaps making them less attractive for the remainder of local government and more vulnerable to competition from the private sector as compulsory competitive tendering (CCT) is extended to them. The extension of CCT to CSS is planned to begin in 1997 under the provisions of the 1992 Local Government Act. The third concern is whether the pressures and uncertainties of DSM in the context of local government restructuring could provide some new life for the government's failed policy of encouraging schools in Scotland to 'opt out'. While legislative provision to allow opting out was made in 1989, to date only one Scottish school has achieved this status. The main conclusion for the purposes of this discussion is that a number of factors seem likely to weaken the local authority role in education.

### **CONCLUSION**

As the details of local government change are examined it becomes clear that the reorganisation process is wide-ranging, radical in nature, and contested. The complexity of change makes the time available seem inadequate, particularly where wholly new councils have to be established. While strengthened individual councils may emerge, the local government system as a whole is being restricted in both role and scope. The restricted role of local authorities and the government's view on how this role should be exercised and managed are controversial. Changes which are taking place in major services like education have controversial aspects and could have far-reaching consequences for local government. The Scottish Office seems set to emerge strengthened from these changes. Its role is enhanced through the acquisition of former local government responsibilities, its power over services run by joint arrangements is likely to increase, and in future it will not have to negotiate change with the large regional councils.

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