

# **Powers for a Purpose**

## **Strengthening Accountability and Empowering People**

**Scottish Labour's Devolution Commission**

**FINAL REPORT  
OUR PROPOSALS**

**MARCH 2014**

## **Foreword**

Scottish Labour is a party of both devolution and the union. For over 100 years, Labour has led the argument for Scottish devolution within the union, and it is a cause we have advanced out of deep-seated conviction. That is why it was a Labour Government which set up the Scottish Parliament, delivering on what John Smith memorably called “unfinished business”.

In making the case for devolution, Labour has brought enhanced democratic accountability for decisions affecting the people of Scotland. Our desire has always been a simple one: meeting the Scottish people’s legitimate desire for more powers and enhanced accountability within a strengthened union.

To lead in the twenty-first century, to preserve our values and advance the people’s interests, Scotland needs the United Kingdom and the United Kingdom needs Scotland. As a successful multinational state we have shared over 300 years of history in a joint endeavour for economic security and social justice. The question for us today is how we remodel the union to preserve the gains we have made and lay the foundations for further achievements in the twenty-first century.

The UK is a union with economic, social, and political dimensions. All three are connected. Without political union it is not possible to have the economic integration which promotes jobs, growth and economic security. We as a Labour Party are committed to the sharing of resources and risks which allows social union across the whole UK – we believe in social solidarity that gives security for pensioners and others who have to rely on social services wherever they are.

The question we have sought to address is: how can we strengthen the present constitutional arrangements to serve Scotland better, meeting the aspirations of the Scottish people for a strong Scottish Parliament, and at the same time strengthening the United Kingdom?

The Scotland Act 2012 represents a major step in this direction, and will be the next development in Scottish devolution. It is clear that the Scottish people do not want independence, and I firmly believe this will be proven – once and for all – in the

referendum later this year. We do not, of course, take this outcome for granted, and we will make every effort to ensure that Scotland remains an integral part of the UK with a powerful Scottish Parliament.

I came into politics to tear down barriers – not erect borders. Politics to me has never been about abstract debates: it has always been about how to make people's lives better. I believe we can achieve more working together than we can ever do alone. As people, we are not fixed in isolation. We are part of a family, a local community, and a wider society. We have multiple identities: I am British, a Scot, a Hebridean, a Glaswegian – I am proud of all.

It was never the intention of devolution to devolve power to the Scottish Parliament, only to see it accumulate powers upwards. This has got lost in the mists of a political debate dominated by the issue of separation. Empowering communities means trusting people, and we set out in this report what I believe is an ambitious agenda for reinvigorating local democracy.

The members of the Commission have made a substantial contribution to the production of this final report. I would like to thank them, as well as the Commission's Academic Advisory Group and Secretariat, for their expertise, endeavour and commitment in taking this important piece of work forward.

I am very grateful to those who have given evidence, and engaged with us as we considered the issues. Our final report, I believe, provides the basis on how we can remodel the union for the twenty-first century, strengthen devolution, increase accountability and better meet people's needs.

**Johann Lamont MSP – Leader, Scottish Labour**

**March 2014**

## **THE COMMISSION**

- Sarah Boyack MSP (Shadow Cabinet Secretary for Local Government and Planning)
- Jackson Cullinane (Regional Political Officer and Regional Coordinating Officer, Unite and Chair, Scottish Labour )
- Margaret Curran MP (Shadow Secretary of State for Scotland)
- Victoria Jamieson (Former Chair, Scottish Labour)
- Johann Lamont MSP (Leader, Scottish Labour)
- Gregg McClymont MP (Shadow Minister for Work and Pensions)
- Duncan McNeil MSP (MSP for Greenock and Inverclyde)
- Anas Sarwar MP (Deputy Leader, Scottish Labour)
- Catherine Stihler MEP (MEP for Scotland)
- Councillor Willie Young (Aberdeen City Council)

## **ACADEMIC ADVISORY GROUP**

The Commission was supported by an Academic Advisory Panel that advised it on all aspects of its work.

- Professor Jim Gallagher CB FRSE (Nuffield College, Oxford)
- Professor Arthur Midwinter (University of Edinburgh)

# Our Proposals

## The sharing union

Scottish Labour is a party of devolution and the union.

The UK is a “sharing union”, with economic, social, and political aspects, in which risks and rewards are collectively pooled. These three aspects are interconnected: political union means we can have an integrated economy and a single currency. It also means we can share resources to permit social solidarity. The justification for each of these parts of the union is to a certain extent instrumental – what is in the interests of Scotland. However, it is also principled – what is right for Scotland and the whole UK. It is also, as Gordon Brown has suggested, founded on a moral purpose – that no matter where you reside and what your background is, every citizen enjoys the dignity of not just equal civil and political rights, but the same basic social and economic rights. Because we pool and share our resources, the moral purpose of the union is to deliver opportunity and security for all UK citizens irrespective of race, gender or religion – or location.

In this union, we pool and share resources to ensure hard-working people, pensioners and those in need have equal economic, social and political rights throughout the entire UK. This is an idea – founded on solidarity, community and fairness – that is much greater than any notion of creating an independent state.

This sharing union is incompatible with the SNP’s vision of independence. The SNP has attempted to adopt the language of social union, but their conception of what this entails is so shallow as to be all but meaningless. They present the social union as resting only on ties of history, culture, family and friendship. In contrast, our belief in social union is more active than that. It means real social solidarity based on sharing of resources to guarantee common standards of welfare for all.

Without economic and political union, a genuine social union is all but impossible. Far more likely is a race to the bottom on tax and workers’ rights, ultimately leading to the erosion of welfare and pensions. The sharing union – underpinned by political

union, economic and social union – is the ultimate safeguard and guarantor of the Welfare State.

We believe that the model of asymmetrical devolution, established in 1999, works well for the UK and the nations within it. In our view, devolution should be strengthened, but only in ways which make the union stronger too. The UK sharing union has always recognised historical and national distinctiveness, as well as adapting to changing political circumstances.

In our judgement, the UK sharing union has to retain the combination of economic integration and social solidarity that creates both the domestic market and a well-functioning social market. Subject to that, we take the view that the preference should be for home rule for Scotland, and that the Scottish Parliament ought to be funded by an appropriate balance of shared UK taxes, which give effect to social solidarity, and its own tax resources, to empower it and strengthen its accountability.

The key to the modern union lies in its twentieth century innovation – the decision to pool and share risks and resources across the whole of the UK to ensure our common welfare and decent standards of life. At the heart of the pooling and sharing of resources is a set of path-breaking decisions that were cemented by changes throughout the 20th century. Some were as recent as the Labour government of 1997-2010. Often inspired by Scottish leaders, we acted together to ensure common UK-wide pensions, common UK social insurance, common UK benefits, a common UK minimum wage, and a UK system of equalising resources, so that everyone irrespective of where they stay benefits from fundamental political, social and economic rights.

The union is defined by much more than the original Act of Union: it is a form of social justice between the nations. Every day, in the UK, we pool risks and share our resources. And it is because of this that average income per head in Scotland has been raised substantially so that it is little different from that in England. Thus, while in Europe the average income of the poorest country is five times smaller than that of the richest country, and in the USA the income of the poorest state is 50 per cent lower than that of the richest, the differences between Scotland and England have narrowed to vanishing point.

The demand for social justice between the nations meant we rid ourselves of the Scottish Poor Law and replaced it with UK wide unemployment benefits. It meant we created a universal right to health care across the UK in the 1940s, and more recently in the 1990s established a UK wide minimum wage and tax credits that prevented a race to the bottom between the nations and regions within the UK.

## **Powers to serve Scotland**

For the United Kingdom to be an effective union, it is critical that certain core matters remain reserved to the UK Parliament. Those which are not should be devolved to the Scottish Parliament. Essential reserved matters include:

- Financial and economic matters – including monetary policy, the currency, regulation, debt management and employment law. Without these, we cannot have a single economy.
- Foreign affairs (including international development) and defence, both of which are central to what defines a nation state.
- The core of the Welfare State – pensions and the majority of cash benefits. These allow the social solidarity that helps bind the UK together.
- The constitution.

Other issues which the Commission has reviewed and concluded should remain reserved are:

- Immigration.
- Drugs, drug trafficking and related laws.
- Betting, gaming and lotteries.
- Broadcasting.
- The civil service.
- Abortion and analogous issues.

There are, however, areas where we believe there is significant scope to strengthen the powers of the Scottish Parliament. In addition to our proposals on tax, welfare and other matters detailed later, we take the view that:

- The Scottish Parliament is a permanent feature of the UK constitution and that legal provision should be made to reflect the political reality that the Scottish Parliament is indissoluble and permanently entrenched in the UK constitution. We also recommend that the “Sewel convention” should be given a statutory basis. This should be enshrined in law to give effect to the convention that the UK Parliament regards the right of the Scottish Parliament to legislate for the matters it properly controls, and that its powers cannot be changed without its consent.
- In addition, the Scottish Parliament should have administrative control over its own electoral system, as it has for Scottish local government elections, with the UK Parliament remaining responsible for UK General Elections and European Elections.

## **Partnership arrangements**

Partnership arrangements between Parliaments and Governments whose responsibilities will inevitably overlap should be established, so that they work together for the common good, safeguarding civil and political rights, and promoting social and economic rights such as welfare and full employment. There is a strong case for giving partnership arrangements a legal existence, in the form of statutory obligations on both administrations to co-operate in the public interest, or through the creation of a formal Intergovernmental Council or its equivalent with the duty to hold regular meetings.

## **Creating a fairer, progressive and more accountable tax system**

In many respects, the key issue in relation to further devolution is how the Scottish Parliament should be funded. At the moment, it has very wide spending powers but little tax responsibility. This will change in 2016 with the partial devolution of income



tax. In our considered view, there is indeed scope to go further on tax devolution, although this must always be balanced by UK grant, so that tax revenues are shared across the UK to ensure a decent level of public services and key social rights across the UK on an equitable basis. This too gives effect to social solidarity. Setting the right balance between devolved taxation and central UK support is more a matter of judgement rather than precise arithmetic. It is right that UK resources should be sufficient to secure key UK social rights such as health and education. Since health and school education consume over half the Scottish Budget that suggests a figure of roughly 60 per cent in grant. To provide the remaining resources, as we argued in our interim report, there is scope to enhance the autonomy and accountability of the Scottish Parliament through an extension of tax powers.

Our interim report initiated a debate on the widest possible options for tax devolution. We received evidence for the case for more devolution, but also on the risks of tax competition within a union based on sharing, and the challenges of tax variation for issues like pensions. In framing our recommendations, we have been driven throughout by the objective of creating a fairer and more accountable tax system in Scotland, as well as maintaining the political, economic and social unions we strongly believe in. Following rigorous examination of the relative merits of devolving each tax, we put forward the following recommendations:

- Labour will give the Scottish Parliament the power to raise around £2 billion more in revenues beyond the recent Scotland Act, so that it raises about 40 per cent of its present budget from its own resources.
- We will do this by widening the variation in income tax in the Scotland Act by half from 10p to 15p.
- This will mean that three-quarters of basic rate income tax in Scotland will be under the control of the Scottish Parliament.
- The Scotland Act enables the Scottish Parliament to increase or decrease income tax rates in Scotland. In addition to extending this power, we will also introduce new Scottish Progressive Rates of Income Tax, so that the Scottish Parliament can increase the rates of tax in the higher and additional bands.

For the first time, the Scottish Parliament will be able to alter both the level of tax and the progressivity of the tax system, but without the risk that a Scottish Government could force tax competition within the UK by cutting only the top rates, to the detriment of public services. Labour in the Scottish Parliament would be able to use these powers if a UK Government did not set fair taxes at these levels.

- Our interim report considered whether there was scope for devolution of air passenger duty, subject particularly to EU rules. We received a number of representations, and continue to note that departures from Highlands and Islands airports are already exempt from this tax. Given the pressure to reduce this tax from airlines and others and the risk of tax competition which would be created, we are not now convinced that devolution should be progressed until further consideration is given to the environmental impact and how else this tax might be reformed
- We concluded that, for a variety of good reasons, VAT, national insurance contributions, corporation tax, alcohol, tobacco and fuel duties, climate change levy, insurance premium tax, vehicle excise duty, inheritance tax, capital gains tax and tax on oil receipts should remain reserved. However we do support, in principle, a derogation to allow a lower rate of fuel duty to be charged in remote rural areas of the Highlands and Islands.
- As we made clear in our interim report, the Barnett formula should remain as the funding mechanism for public services in Scotland. Under our proposal, as is the case under the Scotland Act, the Barnett grant will be reduced to take account of the fact that the Scottish Parliament will have a revenue stream of its own. As a result the Scottish Parliament will be funded partly by grant calculated under the Barnett formula and partly by its own resources – principally Scottish income tax payers.

Our proposal will ensure the appropriate balance of fairness, accountability and efficiency, empowering the Scottish Parliament to develop policies that promote greater fairness in the tax system, a more just society and sustainable economic growth.

## **Ensuring fairness to people at work, when they are most in need and in the marketplace**

We strongly support the continuation of the comprehensive UK Welfare State, with pensions and cash benefits distributed largely on the same basis across the country, especially those benefits which people have contributed to through national insurance. We take this view because social union is central to the very idea of the sharing union, which is about how we pool resources to safeguard the common entitlements of citizenship enjoyed by everyone across the UK.

There is, however, scope to increase the powers of the Scottish Parliament on benefits more closely related to devolved services. The most obvious example in this respect is Housing Benefit, which is linked to devolved responsibility for housing and homelessness in Scotland, and Attendance Allowance, which exists to help the elderly with the additional costs they may incur, and which has obvious links with the devolved health and social care agenda.

In the course of our work, we also examined the possibilities of devolution in the currently reserved matters of health & safety, employment, equalities and consumer education, advice information and advocacy.

Our approach, in considering all of the issues involved, has been informed by the objective of how we can best protect people at work, when in need and in the marketplace.

Certain key benefits, notably the old-age pension, are related to national insurance contributions. These key elements of the social union should remain reserved: the basic state pension, the additional state pension, the contributory element of jobseeker's allowance, the contributory elements of employment and support allowance, maternity allowance, bereavement benefits and incapacity benefit. There is an overriding argument for reserving other, explicitly redistributive but non-contributory benefits, such as the non-contributory elements of jobseeker's allowance, the non-contributory elements of employment and support allowance, income support and pension credit. Our recommendations are:

- We are in favour of devolving Housing Benefit. This is the largest single benefit paid in Scotland after the state pension – amounting to £1.7 billion a year. We will use this power to abolish the Bedroom Tax, ensure secure funding for the provision of social housing and reduce abuse by unscrupulous private landlords.
- We will devolve Attendance Allowance – amounting to nearly half a billion pounds a year. The funding would be transferred to the Scottish Budget and appropriately updated in future.
- We believe in the need to establish a Scottish Health & Safety Executive to set enforcement priorities, goals and objectives in Scotland. This body would still be required to operate within the reserved health & safety framework and regulations, but it would be for the body – reporting to the Scottish Government, scrutinised by the Scottish Parliament and accessing funding provided by that Parliament – to set and achieve the health & safety objectives of most relevance and importance to Scotland.
- We believe that responsibility for the operation of employment tribunals should be devolved to Scotland in order to promote access to justice. (More generally, we see good reasons for devolution of tribunals' administrative responsibilities including procedural rules, even where there is continuing reservation of responsibility for common rights across the UK.)
- Enforcement of equalities legislation should become a devolved matter. We also support any other transfer of power, should it be required, to ensure that women are fairly represented on Scotland's public boards and in other public appointments.
- We see the case for establishing a Scottish model for the delivery of consumer advocacy and advice, one that would secure and build upon the strengths of the current providers of consumer advice and consumer advocacy respectively.

These recommendations, in our view, establish the basis for providing more focussed social provision and better protection to those in employment.

### **Additional transfer of power**

- We favour devolution of railway powers that could facilitate consideration of a “not for profit” option in terms of the Scotrail franchise. This will widen the powers of the Scottish Parliament over the rail system.

### **Double devolution: empowering local government, enhancing local democracy**

Devolution is not just about powers for the Scottish Parliament. It is about the distribution of powers within Scotland to bring them closer to people. Local government has a key role to play in achieving this, and we are committed to reversing its disempowerment by the SNP.

We will promote the idea that “one size does not fit all” in local government, just as it does not fit nations within the UK. As a result, we will be able to respond positively to local demands for an adjustment of powers and responsibilities to suit local circumstances and allow for local preferences and priorities. These will be on the basis of two principles:

- That there is, or can be developed, an effective administrative framework to give effect to these local decisions. This might be an existing local authority, or it might be a combination of councils or councils and other public bodies.
- That there are clear plans for effective democratic accountability for the exercise of the different set of powers. Again this might be through an existing local authority – though it may have to enhance democratic accountability if the range of responsibilities is substantially wider; or it could be through new accountability arrangements, say for a city region, as has been suggested in England. The key is that it must not simply be assumed that the present arrangements will be sufficient. Power and responsibility must march together.

We will incentivise and enable public authorities to work together to provide public services in a more efficient way, where their size, geography or priorities allow this. For example, we will work with the three islands authorities – Shetland, Orkney and the Western Isles – to develop and extend the powers of islands councils, including:

- a greater local role in all aspects of inshore marine resource management and utilisation, such as spatial planning and dealing with consents;
- work with islands councils to support the development of renewable energy resources with genuine community participation and benefits, and to ensure that grid connections can be developed;
- support to secure the future of inter-islands ferry services in the Northern Isles, funded, operated and controlled from the islands to meet island needs, and to work within the EU to ensure a sustainable future for island to island transport;
- explore potential changes to fiscal arrangements to allow the islands to benefit more directly from the exploitation of local renewables and fishing resources;
- look at how to develop more integrated service delivery, with greater local influence for example over health services, to deliver enhanced community planning, better local decision making and greater efficiency of public services; and
- ensure a more integrated approach to economic development in partnership with Highland and Islands Enterprise.

We believe that the present system of local government finance is broken. Whilst it is not within the remit of the Commission to make recommendations on the most appropriate funding model for local government, we set out what we consider should be the guiding principles in this area. These are as follows:

- It should be the aim to establish a system which commands cross-party consensus, to deliver a long term solution to funding local government services.

- A system should be put in place that establishes a clearer distinction between the roles of central and local government in setting council budgets.
- A system should be created which ensures that an updated and fairer system of property taxation continues to play an equitable part in supporting public services in the long run.

Local authorities should have increased scope to influence economic development. We support in principle increased flexibility of local authorities to generate more economic investment to develop local economic resilience, extending Tax Incremental Funding to fund public sector investment in infrastructure, and empowering local authorities to introduce initiatives such as tourist levies, and other funding vehicles to enhance accountability.

In pursuit of local economic growth, there are functions administered by quangos, which may be better managed by local authorities. In order to improve local accountability and provide a more flexible and responsive service, we believe:

- Skills Development Scotland's responsibilities should be devolved to council level in order that planning and provision of skills and training better matches local job markets.

Devolution of powers to local authorities should take account of powers which may be passed down from both the UK and Scottish level. It may, but need not, follow that legislative or ministerial responsibility should be devolved to the Scottish Parliament. We believe that there are two currently reserved areas where there is a pressing need for greater devolution of responsibility and an enhanced role for local authorities. These are the Department for Work and Pensions (DWP) Work Programme and the Crown Estate. As a result, we recommend the following:

- Full devolution of responsibility for delivery of the Work Programme to local authorities on the basis that they are better placed to meet the requirements of local labour markets and this would enhance democratic accountability. However, we believe it is essential and right that the Scottish Parliament play a key role in providing strategic oversight of local authority delivery of this service. By releasing this employment scheme from the centralised direction

of the DWP and empowering councils to assume leadership, the delivery model of the Work Programme would be closer and more accountable. We are conscious of the need to ensure a link between the benefits system and income from work and for the need for local agencies to work in collaboration with local authorities and the third sector.

- We believe that devolving the Work Programme to local authorities would fundamentally enhance employability and provide better assistance to those who depend upon it. In our judgement, local authorities should have more budgetary control and a stronger financial incentive to tackle unemployment locally.
- We agree with the analysis of the Scottish Affairs Select Committee report on the Crown Estate, and hope the government will act on the recommendations. Local management agreements between local authorities and the Crown Estate, an example of best practice, should be applied as widely as possible, with the Crown Estate establishing appropriate mechanisms to facilitate maximum local authority and community engagement. We agree that the Crown Estate's default assumption is that the seabed and foreshore should be managed by local authorities or communities and that they have developed leasing arrangements which make this possible. If this can be made to work, allowing the Crown Estate to take an interest in particular developments, we will support this. Thus, we propose to use the Crown Estate's expertise and capital as necessary, but allowing local councils and local communities to manage the seabed in other respects, in order to achieve real devolution to very local areas while preserving the benefits of the wider Crown Estate resource.
- A Memorandum of Understanding between the Scottish Government should be agreed with the Crown Estate becoming accountable to the Scottish Parliament, with devolution agreed in respect of their common objectives on the development and management of the seabed and foreshore, and those local authorities with an interest in this area should be fully consulted throughout as to its contents.



The UK, perhaps because of its lack of a codified constitution, is one of the few countries in the world where the constitutional status of local government is not firmly embedded: this is as true in England and Wales as it is in Scotland. We want the right relationship between central and local government, and want local government to be a continuing and valued part of our constitutional settlement. The question is whether a form of formal, legal entrenchment could do this, and if so how. Having examined this matter in great detail, we are convinced that local government should have a constitutional guarantee of powers.

- We therefore recommend establishing a constitutional guarantee of powers to local government.

We will promote the co-operative council model to offer the possibility of developing local co-operatively run companies as a model of service delivery, for example in social care and childcare where profits are reinvested or shared by staff working for the co-operative.

We will require local authorities to incorporate empowerment of local communities into their work.

We will support more flexible powers on compulsory purchase to enable land assembly in town centres and shopping parades, in order to assist local authorities in pulling together schemes to transform the economic performance of town centres and reintroduce residential properties back into town centres.

Finally, we will tackle the scourge of exploitative payday loans by giving local authorities the powers to prevent the proliferation of Payday Loan shops and Fixed Odds Betting Terminals (FOBT). In relation to FOBTs, working within the framework of gaming and betting as reserved matters, we will extend the powers available to local authorities, in conjunction with the UK Government, to address the licensing and technical constraints which Scottish local authorities currently experience.

## Summary of recommendations

**RECOMMENDATION:** Whilst it is inconceivable that the Scottish Parliament would be abolished, we believe the Scottish Parliament should become permanently entrenched in the constitution and indissoluble. We also recommend that the “Sewel convention” should be given a statutory basis.

**RECOMMENDATION:** Responsibility for administration of Scottish Parliamentary elections should be devolved to the Scottish Parliament.

**RECOMMENDATION:** Partnership arrangements between Parliaments and Governments whose responsibilities will inevitably overlap should be established, so that they work together for the common good, safeguarding civil and political rights, and promoting social and economic rights such as welfare and full employment.

**RECOMMENDATION:** There is a strong case for giving partnership arrangements a legal existence, in the form of statutory obligations on both administrations to co-operate in the public interest, or through the creation of a formal Intergovernmental Council or its equivalent with the duty to hold regular meetings.

**RECOMMENDATION:** Labour will give the Scottish Parliament the power to raise around £2 billion more in revenues beyond the recent Scotland Act, so that it raises about 40 per cent of its present budget from its own resources.

**RECOMMENDATION:** We will widen the variation in income tax in the Scotland Act by half from 10p to 15p. It will mean that three-quarters of the basic rate income tax in Scotland will be under the control of the Scottish Parliament.

**RECOMMENDATION:** The Scotland Act enables the Scottish Parliament to increase or decrease income tax rates in Scotland. In addition to extending this power, we will also introduce new Scottish Progressive Rates of Income Tax, so that the Scottish Parliament can increase the rates of tax in the higher and additional bands. For the first time, the Scottish Parliament will be able to alter both the level of tax and the progressivity of the tax system, but without the risk that a Scottish Government could force tax competition within the UK by cutting only the top rates, to the detriment of

public services. Labour in the Scottish Parliament would be able to use these powers if a UK Government did not set fair taxes at these levels.

**RECOMMENDATION:** The Barnett formula should remain as the funding mechanism for public services in Scotland. Under our policies, as is the case under the Scotland Act, the Barnett grant will be reduced to take account of the fact that the Scottish Parliament will have a revenue stream of its own. As a result the Scottish Parliament will be funded partly by grant calculated under the Barnett formula and partly by its own tax resources.

**RECOMMENDATION:** Responsibility for delivery of the DWP Work Programme to be devolved to local authorities to better reflect local labour market conditions, with the Scottish Parliament playing a partnership role and providing strategic oversight. We are conscious of the need to ensure a link between the benefits system and income from work and for the need for local agencies to work in collaboration with local authorities and the third sector.

**RECOMMENDATION:** We take the view that Housing Benefit should be devolved to the Scottish Parliament. We will use this power to abolish the Bedroom Tax, ensure secure funding for the provision of social housing and reduce abuse by unscrupulous private landlords.

**RECOMMENDATION:** Given the connection between Attendance Allowance and health and social care policies, we believe that it should be devolved in full to Scotland. The funding would be transferred to the Scottish Budget and appropriately updated in future.

**RECOMMENDATION:** We believe in the need to establish a Scottish Health & Safety Executive to set enforcement priorities, goals and objectives in Scotland. This body would still be required to operate within the reserved health & safety framework and regulations and closely linked with the UK HSE, but it would be for the body – reporting to the Scottish Government, scrutinised by the Scottish Parliament and accessing funding provided by that Parliament – to set and achieve the health & safety objectives of most relevance and importance to Scotland.

**RECOMMENDATION:** Responsibility for the administration of employment tribunals and the procedural rules associated with them, including charging arrangements, should be devolved.

**RECOMMENDATION:** Enforcement of equalities legislation should become a devolved matter. We also support any other transfer of power, should it be required, to ensure that women fairly represented on Scotland's public boards and in other public appointments.

**RECOMMENDATION:** We see the case for establishing a Scottish model for the delivery of consumer advocacy and advice, one that would secure and built upon the strengths of the current providers of consumer advice and consumer advocacy respectively.

**RECOMMENDATION:** We support devolution of railway powers that could facilitate consideration of a "not for profit" option in terms of the Scotrail franchise. This will widen the powers of the Scottish Parliament over the rail system.

**RECOMMENDATION:** Skills Development Scotland's responsibilities to be devolved to local authorities in order that planning and provision of skills and training better matches local job markets.

**RECOMMENDATION:** We will reverse the SNP's process of centralisation of local government by embracing the principles of double devolution and subsidiarity. This means a willingness to respond positively to reasonable local demands for an adjustment of powers and responsibilities to suit local circumstances and allow local preferences and priorities to be given effect to.

**RECOMMENDATION:** We will incentivise authorities to work together to provide public services in a more efficient way, where their size, geography or priorities allow this.

**RECOMMENDATION:** We will work in particular with the three islands authorities – Shetland, Orkney and the Western Isles – to develop and extend the powers of islands councils, including:

- a greater local role in all aspects of inshore marine resource management and utilisation, such as spatial planning and dealing with consents;

- work with islands councils to support the development of renewable energy resources with genuine community participation and benefits, and to ensure that grid connections can be developed;
- support to secure the future of inter-islands ferry services in the Northern Isles, funded, operated and controlled from the islands to meet island needs, and to work within the EU to ensure a sustainable future for island to island transport;
- explore potential changes to fiscal arrangements to allow the islands to benefit more directly from the exploitation of local renewables and fishing resources;
- look at how to develop more integrated service delivery, with greater local influence for example over health services, to deliver enhanced community planning, better local decision making and greater efficiency of public services; and
- ensure a more integrated approach to economic development in partnership with Highland and Islands Enterprise.

**RECOMMENDATION:** It is not within the remit of the Commission to make recommendations on the appropriate model of local government finance. However, having considered the matter, we recommend three principles that should underline the approach to local government funding. These are as follows:

- It should be the aim to establish a system which commands cross-party consensus, to deliver a long term solution to funding local government services so that local finance is no longer a political football.
- A system should be put in place that establishes a clearer distinction between the roles of central and local government in determining council budgets.
- A system should be created which ensures that an updated and fairer system of property taxation continues to play an equitable part in supporting public services in the long run.

**RECOMMENDATION:** Local authorities should have increased scope to influence economic development. We support in principle increased flexibility for local authorities to generate more economic investment to develop local economic resilience, extending Tax Incremental Funding to fund public sector investment in infrastructure, and empowering local authorities to introduce initiatives such as tourist levies, and other funding vehicles to enhance accountability.

**RECOMMENDATION:** Local management agreements between local authorities and the Crown Estate, an example of best practice, should be applied as widely as possible, with the Crown Estate establishing appropriate mechanisms to facilitate maximum local authority and community engagement.

**RECOMMENDATION:** The Crown Estate should adopt the approach that the default assumption is that the seabed and foreshore should be managed by local authorities or local communities, and should further develop leasing arrangements which make this possible. If this can be made to work, allowing the Crown Estate to take an interest in particular developments, we will support this. Thus, we propose to use the Crown Estate's expertise and capital as necessary, but allowing councils and communities to manage the seabed in other respects, in order to achieve real devolution to local areas while preserving the benefits of the wider Crown Estate resource.

**RECOMMENDATION:** There should be a Memorandum of Understanding between the Scottish Government and the Crown Estate, which should be accountable to the Scottish Parliament, with devolution agreed in respect of their common objectives on the development and management of the seabed and foreshore, and those local authorities with an interest in this area should be fully consulted throughout as to its contents.

**RECOMMENDATION:** We will work to establish a constitutional guarantee of powers for local government.

**RECOMMENDATION:** We will promote the co-operative council model to offer the possibility of developing local co-operatively run companies as a model of service delivery for example in social care and childcare where profits are reinvested or shared by staff working for the co-operative.

**RECOMMENDATION:** We will require local authorities to incorporate empowerment of local communities into their work. We believe that double devolution and subsidiarity should apply to councils too.

**RECOMMENDATION:** We will support more flexible powers on compulsory purchase to enable land assembly in town centres and shopping parades, in order to assist local authorities in pulling together schemes to transform the economic performance of town centres and reintroduce residential properties back into town centres.

**RECOMMENDATION:** We will tackle the scourge of exploitative payday loans by giving local authorities the powers to prevent the proliferation of Payday Loan shops and Fixed Odds Betting Terminals. In relation to FOBTs, working within the framework of gaming and betting as reserved matters, we will extend the powers available to local authorities, in conjunction with the UK Government to address the licensing and technical constraints on Scottish local authorities.

**RECOMMENDATION:** The following matters should remain reserved as they are key to the maintenance of the union:

- Financial and economic matters – including monetary policy, the currency, regulation, debt management and employment law.
- Foreign affairs (including international development) should remain the responsibility of the UK Government.
- Defence should remain a reserved matter.
- The civil service should remain.
- Social security should remain reserved, though there is potential for some devolution to ensure better integration between devolved and reserved responsibilities.
- Immigration should remain reserved.

**RECOMMENDATION:** Matters relating to the possession, cultivation, production, supply, import and export of drugs; drug trafficking, including the acquisition, possession or use of the proceeds of drug trafficking; and statutory offences involving money laundering of the proceeds of drug trafficking, confiscation of the proceeds of drug trafficking, and forfeiture of things used in the commission of drug trafficking offences, should remain reserved.

**RECOMMENDATION:** Abortion, xenotransplantation, embryology, surrogacy arrangements, human genetics, matters relating to the regulation and control of medicines (for both humans and animals), medicinal products, poisons and biological substances, should remain reserved.