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The Transformation of Governing Style in Scotland **—— Between the Union and Local Government ——**

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Introduction

Since devolution, a great number of political changes have happened in Scotland. As far as the activities of the Scottish Parliament are concerned, for instance, the new committee system and the MSP's bill system show the distinctiveness of Scottish politics (Keating et al., 2003, Mitchell, 2000). Needless to say, Scottish Devolution was a remarkable political event in British politics. However, as the new political systems have become fixed, the people have realised that the Scottish political system does not necessarily possess enough power to deal with all agendas in

Scotland. So, the enthusiasm for the devolution is fairly diluted in the present political world (Mitchell, 2004; Mitchell et al., 2003). In practice, the turnout of the Scottish Parliament's election fell to less than 50% in May 2003. Some media pointed out parliament's lack of credibility and the wide-spread disappointment among the people. The Holyrood project, the unfinished construction of the new parliament building, is always picked up as a symbol of such discontent. According to a recent survey, not many people are satisfied with the result of devolution. Trust in the Parliament and the expectations of its performance have been decreasing since devolution (McEwen, 2003).

It can be said that these situations show the complexity of devolution and difficulty of understanding Scottish government's activities. Although the Scottish Parliament was given legislative power by the Scotland Act 1998, it has to act under the constraints of the Union. At the same time, although the Scottish government can regulate the fundamental structures of local government by legislature, the Scottish government depends on local governments to implement public services. As to fiscal resources, while the Scottish Executive receives around 80% of its whole budget from the UK government as a block grant, Scottish local government also gets almost 80% of its revenue from the Scottish Executive as Aggregate External Finance (Audit General, 2002: 10-12, 47-50). Thus, the Scottish Parliament and Executive do not have all the necessary policy resources, nor the measures of policy implementation, most of which are possessed by local government. Moreover, local government is beginning to cooperate with business sectors and voluntary organisations in a phase of implementing public policies these days. Scottish politics does not completely restrict its activities to the governmental system in Scotland. The concept of "governance" is becoming popular not only in the academic field but also in the real world (Rhodes, 1996). It seems that this phenomenon embodies the transformation of the governmental perfor-

mances which make intricate connections and extend the ties with private sectors and voluntary organizations. Such a structure makes it difficult for outsiders to understand how the Scottish government works. This paper clarifies the features of intergovernmental relations in Scotland and the transformation of governing style of the Scottish government since devolution.

Constraints within the Union

Although Scotland has set up its own parliament, which has a legislative power, its activities are still bound to the Union. The fundamental principles of the British constitution were not changed by Scottish Devolution. The UK government and the Scottish government have maintained highly centralised systems even after devolution. The principle of parliamentary sovereignty still remains intact (Keating, 2004; Peterson, 1998; Mitchell 2001). The Scotland Act 1998 was established by the UK parliament, not the Scottish parliament. The Act regulates the powers of the Scottish Parliament, the election system, and the fiscal system. In addition, it also shows that the UK government maintains the sovereignty and has the power to change the structure of Scottish government. The Scotland Act stipulates that Scottish Devolution ‘does not affect the power of the Parliament of the United Kingdom to make laws for Scotland’ (Lynch, 2001:15-26). The power of the UK government still overrides the power of Scottish Parliament.

The position of the Scottish government remaining within the Union can also be explained from the process of devolution. The movement of Scottish Devolution was initiated by the Scottish Constitutional Convention, which was an umbrella alliance of influential civil groups in the 80’s. While Labour and the Liberal Democrats joined the Convention, the Conservatives and the SNP did not. This showed the distinguishing

characteristics of the new regional government. Devolution does not mean that Scotland is subordinate to a unitary state with absolutely centralised sovereignty, nor does it proceed to full independence from the UK. It stays within the Union state (Keating and Elcock, 1998; Peterson, 1998). Originally, the most influential impetus to Scottish Devolution was that the political situation in the 80's caused a democratic deficit in Scotland (McCrone, 2001:46), i.e., "non Scottish mandate" (Midwinter et al.,: 74). Namely, although most Scottish people did not support the Conservative government, they had to follow unpopular policies by that government. The introduction of the poll tax was the most typical policy which caused a serious conflict between the government and the people. The Convention tried to set up an elected body to remedy this democratic deficit (Scottish Constitutional Convention 1995). In this sense, in order to realise self-determination, an elected government, which had a legislative and a taxation power, was crucial for the Convention.

Meanwhile, devolution did not expand the scale of administrative activities in Scotland. The functions and organizations of the Scottish Office were transferred to the Scottish Executive and the Scotland Office which is a division of the UK government. However, administrative devolution had already been done in the late 19th century when the Scottish Office was set up. The power of the ministry was arranged to be compatible with the Union (Mitchell, 2001: 244). The total amount of resources, e.g., budget, personnel, skill and knowledge, which were used in the policy process by the Scottish government did not change very much due to devolution. The result of the devolution will depend on how the new Parliament promotes legislative activities and manages administrative organizations.

In regards to the fiscal system, the UK government has a strong power vis-a-vis regulating local government by controlling the total amount of public spending and limiting taxation and borrowing powers. The fiscal

system of the UK is one of the most tightly centralised among unitary states (Heald and McLeod, 2002a: 147). In Scotland, almost 80% of fiscal resources are allocated by the Treasury as a block grant, going through the Scotland Office, to the Scottish Executive (Audit General, 2002:10). The most part of the block grant is calculated by the Barnett Formula each year. According to the formula, the increase or decrease of a block grant is measured by the population ratio of England to Scotland. Needless to say, this budget must get approval from Westminster. The annual level of grant has been mainly determined by the Barnett Formula over the past two decades. There are some controversial points in terms of the result of the Barnett Formula since the system is based on the population's share, not on real necessity. Originally, the formula was introduced to converge the difference of per capita expenditure among each region at the end of 1970's. However, according to Heald et al., the Barnett formula would give more advantage to Scotland than a needs assessment (Heald et al., 1998: 41-42). The system gives Scotland a privileged benefit, in fact, Scottish per capita expenditure has been over 20% higher than the UK average. Although it is not possible politically at the moment, some English politicians insist that the Barnett Formula should be reformed to equalise per capita expenditure among each region in the UK (Heald and McLeod 2002b; Midwinter, 2002a). As some experts point out, it might become an inevitable issue at Westminster in the future. (*Sunday Herald*, 18 April 2004).

The Scottish Executive and Parliament have to take account of the opinion of Whitehall and Westminster even though the Executive and Parliament exert financial powers on devolved matters. The Scottish Parliament has a tax-varying power, which enables it to vary income tax rates 3% up or down. However, the current coalition government will not use the tax power because of political considerations in Scotland. It is said that if the Scottish government raises the income tax rate, the Treasury

may cut the amount of the block grant because the UK ministry will think that it does not have to sustain special fiscal allocation system of Scotland (Mair and McAteer, 1997; Midwinter, 2002a). When the Executive introduced free personal care for the elderly, the UK government showed a negative attitude and informally put pressure on the Executive to give up the programme. However, that programme was not abandoned. So, the UK government tried to maintain the uniformity of welfare policy nationwide by abolishing the Attendance Allowance payments in Scotland by the Department of Works and Pensions. Although the Executive had hoped to keep the benefit, the Department of Works and Pensions stated that the Allowance was not supposed to be given to the people who get benefits through other means (Simeon, 2003). These cases show that even if the *Scottish government initiate new policies within devolved matters*, it cannot carry them out without a response from the UK government.

Even after devolution, MSPs do not necessarily fully control the activities of bureaucracy. The reasons for this are twofold. First, the employees of the Scottish Executive are still civil servants, which are staffed by the UK government as the Home Civil Service. Formally, the Civil Service is a reserved matter, although most of the conditions of employment are delegated to the Scottish Ministers (Parry, 1999:65, 2001: 58-59, Convery, 2000:303). Most of the departments and staff in the Scottish Executive were taken over from the Scottish Office in 1999. Because of their status and historical background, they still have close relations with Whitehall. It gives them the advantage of keeping personnel exchanges and communications between the Scottish Executive and other ministries in Whitehall. Also, the senior civil servants in the Scottish Executive still share the common behaviour and culture with other senior civil servants in Whitehall. Secondly, many MSPs are so young that they have not had a long political career. Most of them do not have the experience of governing ministries as ministers and have less knowledge

on policies than bureaucrats (Lynch, 2001: 42-45).

In addition to the governmental institutions, inter-party relations are important ties between Westminster and Scotland. The two major parties, Labour and Tory, traditionally have centralised party structures. The Scottish politicians also see the nation state as an important apparatus to realise their political objectives in UK-wide politics. The centralised party system and the existence of the Scottish Office were useful for the Scottish politicians to access the central cabinet until 1999 (Keating, 1998a: 221, Midwinter et al., 1991: Ch.2). After devolution, while policy-making and leader selection are autonomous in Scotland, British Labour has been superior to Scottish Labour in terms of financial resources, staff, and membership recruitment (Lynch and Birrell, 2004). They still maintain close relations formally and informally. The channel between British and Scottish Labour functions not only to deliver Scottish preference to the centre and but also to seek to impose the centre's will on Scotland.

Autonomy of the Scottish Executive and Parliament

Formally, the UK government has still maintained highly controlling powers over the Scottish governments. However, even if institutions are centralised, it does not mean the real intergovernmental relations are tightly regulated by the central government. Regional government and even local government are able to enjoy a certain extent of freedom in the policy process. Devolution made the intergovernmental relations between the UK government and the Scottish government more complex.

First, the principle of parliamentary sovereignty accepts a flexible interpretation, which is compatible to asymmetrical devolution in the UK. The British constitutional principle does not impose strict uniform institutions on each region. It is understood that the relations between the UK government and each regional government should be arranged through

practices (Keating, 2004; 1998b). Also, the British constitution has gradually developed through the process of dealing with individual cases, avoiding drastic changes of constitutional principles and interpretations (Midwinter et al., 1991: 195).

Secondly, because the Scotland Act did not specify the reserved matters of Westminster and the devolved matters of Scotland in detail, both the UK government and the Scottish government have to coordinate the contents of policies through the usual administrative channels (Trench, 2004: 169). It is difficult for both governments to confine their activities in isolation to the policy sphere of each other. In terms of the fiscal resources of the Scottish government, Mair and McAteer argued that the parliament would have a considerable bargaining power over the UK government. Because the Scottish Parliament would have a political legitimacy as an elected body, it would be extremely difficult for the UK government to impose severe cut-backs in the block grant to the Scottish government (Mair and McAteer, 1997: 4-12).

Thirdly, since devolution, while new institutions of intergovernmental adjustment have been established, they have not yet affected the activities of the Executive. The Joint Ministerial Committees, the forum which is supposed to resolve conflicts between the centre and devolved governments, and the Concordats, which is the memorandum of the agreements between two level governments were set up (Keating, 2002: 4-6; Lynch, 2001: ch.9). There was criticism that these institutions might enable the UK government to interfere with the activities of the Scottish government. However, such evidence is difficult to find out. Formally, the UK government is in charge of resolving disputes between two levels of government by organising the JMCs. However, the JMCs have not been utilised for such objectives nor been used to control devolved governments. Rather, both governments try to bypass controversial issues in the JMCs to avoid causing instability between them. On one hand, the meeting

is held formally, on the other hand, both sets of politicians and civil servants tend to utilise informal contacts and meetings to deal with administrative affairs (Trench, 2004, 2003, 2001).

As described above, the new Scottish regional government is not a self-contained governing body. It is subordinate to the sovereignty of the UK government and has to procure necessary policy resources from upper level governments. In this situation, Mitchell points out the existence of the expectations-capability gap, which means that the Scottish Parliament does not have enough power to respond to the expectations of the people (Mitchell, 2004). Jordan and Stevenson argue that the expectation of political participation which exaggerates the capacities of political institutions might cause non-constructive disappointment (Jordan and Stevenson, 2000).

In addition, while the achievements of the Scottish Parliament are tangible, the decision-making process between the UK government and the Scottish government is invisible to outsiders. Although the Scotland Act distinguishes the devolved matters from the reserved matters, the activities of the two governments are complicated in the real world.

In order to disentangle these situations, all the Scottish major parties, with the exception of Labour, recently insisted that the Scottish government should have fiscal autonomy, although their individual arguments were in different contexts. They all say that it is important to have a taxing power for government to strengthen accountability and responsibility. The government which has fiscal autonomy also will be able to carry out their own economic development policies (*Holyrood Magazine*, 20 October 2003: 16-17). While the fiscal capacity of the Scottish government was one of the biggest issues in the process of devolution, the current fiscal transfer system remains (Heald et al., 1998). If the issue of revising the Barnett Formula is raised in the future, the fiscal system of the Scottish government will have to be argued again in the

political stage, Westminster, and administrative setting, Whitehall, in the UK government (Keating, 2004: 329-330).

Constraints within the Local Government System

The systems between the Scottish government and Scottish local government are almost the same as south of the border. It is so highly centralised that central government has a superior power to local government in terms of the legal and fiscal aspect (Game and Wilson, 2002: ch.9). In Scotland, the administration of local government is a devolved matter. The legislation of the Scottish Parliament regulates fundamental structures of local government and almost 80% of revenue of local government is transferred from the Scottish Executive. The other 20% is mostly collected from the council tax which is an independent revenue source for local government.

Generally speaking, informal negotiations based on consensus are a feature between central and local governments. While the central government has dominant power over local government, the centre has to rely on local government in the policy process. In addition, the structure of the centre is fragmented and it lacks enough ability or information to carry out public policies. Both the central and local government cannot exclude consultation and negotiation when they try to carry out public policies. These circumstances reduce instabilities, bring understanding between the centre and locality, and ensure policy-formation and implementation (Richardson and Jordan, 1979: 105-113, Rhodes, 1988).

However, they also cause a conundrum between the centre and locality. If central government let local government implement public policies to respect local freedom, central government might not be able to attain its policy objective properly. It will cause a difficult situation for the centre when it takes accountability and responsibility to parliament and people.

In order to implement policies effectively and efficiently, central government has to induce local government to follow the directions of the centre. However, if central government excessively interferes with the activities of local government, it heightens tension and destabilises the relationship between them (Jones and Stewart, 2003: 25-27).

The Scottish Executive is in a similar situation with the UK government. On one hand, the Executive has to respect the freedom of locality, on the other hand, it has to pursue a political agenda of its own. At the same time, the Scottish government has to rely on local government in a phase of policy implementation. This situation causes a serious dilemma for the Scottish Executive as to what extent it should respect the activities of local government as a partner or impose tight policy style on local government (McGarvey, 2003: 46; *Holyrood Magazine*, 15 December 2003).

While there are some similar characteristics of intergovernmental relations to England and Wales, some points are distinctively Scottish. First, the fundamental features of the Scottish intergovernmental relations can be described as more consensual and informal than England and Wales. One of the biggest reasons is that the Scottish Office and Scottish interest groups formed intimate policy communities before devolution. The ministry enabled them to access the UK government easily and to maintain the Scottish distinctiveness of public policies. Scottish local government also had close relations with the Scottish Office. The Scottish Office and the Convention of Scottish Local Authorities, COSLA, played important roles in the policy communities (Keating and Midwinter 1983: 102-107, Midwinter et al., 1991: ch.4, Midwinter, 1995: 115-120). This basic structure has not changed even after devolution. The Scottish Executive and local government have fundamentally maintained their stable relations on the base of consensus and bargaining during the post-devolution era. It is in contrast to England. McGarvey points out that

intergovernmental relations in Scotland are more consensual and less hierarchical than England. The Scottish Executive does not as tightly impose their management style on local administration as England (McGarvey, 2003; Midwinter and McGarvey 2001).

Next, devolution made the Scottish government respect the principle of parity. Scottish local authorities are very keen to ensure their status and stabilise relations with the central government under the new regime. They suffered from strict control of financial power and deprivation of *implementation competence under the Conservative government*. The growth of the number of Non Departmental Public Bodies was one of the biggest changes which undermined local government in the 80's and 90's (Scottish Constitutional Convention 1995). COSLA and some local governments joined the Scottish Constitutional Convention to promote devolution in the 80's and 90's. They were the main actors in the movement during the pre-devolution era (Bennett et al., 2002). The document of the Convention stressed the building of constructive relations between the Scottish parliament and local government. The convention expected these ideas to be established by legislature as follows.

The Act will include a clause committing the Scottish parliament to secure and maintain a strong and effective system of local government, and will embody the principle of subsidiarity so as to guarantee the important role of local government in service delivery (Scottish Constitutional Convention 1995).

The Scottish Parliament set up the Commission on Local Government and it produced The Report of the Commission on Local Government and the Scottish Parliament, the so-called McIntosh Report, to arrange the central-local government system in such a way as to be compatible with the idea of devolution in 1999. It pointed out that the principle of

subsidiarity, which was referred to in the process of Scottish devolution, should also be respected in the relations between the Scottish government and Scottish local government (Bonney, 2002). At the same time, the report issued recommendations for reforming the activities of councils more efficiently and accountably. Subsequently, the Renewing Local Democracy Working Group, the so-called Kerley Group, which was set up by the Scottish Executive in 2000 to deliberate some issues raised by the McIntosh Report. The McIntosh Report and Kerley Group also recommended a controversial plan, the introduction of the proportional representational election system, and measures of improving the working conditions of councillors (McGarvey, 2003: 30-34).

COSLA expresses a statement for promoting and protecting common causes for Scottish local government. The convention published a manifesto during the election campaign in 2003. The organization demanded that the new Scottish government should respect the value of local government. In particular, it claimed that the constitutional settlement should be confirmed by the Scottish Parliament for ensuring the principle of parity of esteem and the enlargement of financial freedom by decreasing ring-fencing grants (COSLA, 2003a).

In order to realise the principles of parity in intergovernmental relations, the Scottish Parliament established the Local Government in Scotland Act in 2003. One of the main purposes of the Act is that it forces local government to ensure Best Value, instead of Compulsory Competitive Tendering, in policy implementation. It is aimed at improving administrative performance efficiently from the point of New Public Management. Next, under the new institution, the interpretation of the principle of *ultra vires*, which had strictly regulated the limit of local government's activities, was considerably changed. Local government was given the Power to Advance Well-being by the legislation, as a result, local government was able to act freely while not committing illegal conduct.

The act stipulates local government to play a key role in promoting Community Planning and increasing well-being of each area. In addition to conventional works, coordinating with private sectors, voluntary groups and local communities and improving economic, social, and environmental situations are becoming important performances for local government. It is expected that local government subsidises stakeholders and coordinates the network of organizations and people (COSLA, 2003b; SOLACE, 2003). In terms of the financial system, some regulations of local revenue and expenditure were modified. The introduction of the three-year revenue grant settlements and capital allocations, the abolishment of expenditure guidelines, and simplification of the distribution formula were carried out (Herbert, 2003a).

It might be said that such circumstances embody the transformation of governing style to “governance” in Scotland. In British politics, the change of governmental activities is often expressed as governance. According to Rhodes, British government is described as a network of organisations which are central government, local government, agencies and NDPBs rather than the dichotomy between bureaucracy and market that it was before the 80’s. Moreover, the activities of government occasionally include private sectors or voluntary groups. The form of governmental organization is also changing from a hierarchal and monolithic structure to a more diverse and complex one due to the influence of the New Public Management (Rhodes, 1996; 660-665). The activities of locality are also explained as local governance reflecting the expansion of network with local government as described above (Wilson and Game, 2002: ch.8). For instance, in terms of the case of the economic development projects in Glasgow, a report points out that one of the reasons why the projects have not yet progressed is that Glasgow City Council is not eager to cooperate with other organisations (*Sunday Herald*, 9 November 2003).

Although governance seems to be a useful concept for describing the current transformation of governmental activities, it has some problems as a theory of political science. First, as Rhodes himself points out, while stressing the utility of the concept, it is not clear how the concept is relevant to democratic accountability. The growth of NDPBs detracted a part of local government's task. The reform of establishing agencies is making it complicated to pursue individual ministerial accountability. (Rhodes, 1996: 661-663, 666-667). As to local governance in the real world, it is pointed out that the increase in the number of stakeholders makes it difficult to coordinate participants and carry out public policies and, in the end, we lose sight of the locus of accountability. An example of this is the partnership programmes in local communities (Wilson and Game, 2002: 140-145). Secondly, it is not certain to what extent the concept of governance provides a new theoretical interpretation of political science and public administration, not just expressing the complex situations of modern society and government. Every government has to perform under the restrictions of relations with other organisations in society and/or market before the emergence of governance (Keating, 1998a: 127-129, Peters 1998: 408-409). Thirdly, It is still important to analyse the role of government although its form is getting more complicated these days. However, there are still crucial performances which government can exclusively carry out (Peters, 2000), therefore, it is necessary to examine to what extent the concept of governance is relevant to explain the real world and the relation of governance to the role of government.

Thus, while central government formally controls local government, the centre depends on policy implementation by local government. It is almost the same situation as England and Wales. The Scottish government also has to respect the idea of subsidiarity which was asserted by local government during the devolution campaign. Moreover, the theory and

practice of governance make intergovernmental relations more complicated. Therefore, it is difficult to objectively judge to what extent devolution changed the structure of intergovernmental relations. However, there is little doubt that devolution considerably improved intergovernmental relations in Scotland.

According to an empirical study, most councillors and local officers positively evaluated the devolution in that it better enabled them to access the ministers and MSPs. Communication between the Scottish Executive and local government has been encouraged since devolution. However, neither have yet built up the confidential relationship with the civil servants of the Scottish Executive. The financial system and NDPBs still remain problems which cause centralisation between the two tiers of governments. The survey also reports that the majority of councillors and local officers think COSLA does not function for their sake (Bennett et al., 2002). In order to investigate the intergovernmental relations in Scotland concretely, this paper will examine some issues which were argued after the devolution.

Allocation of the Specific Grant

The Scottish Executive has the aim of promoting its public policies and encouraging local government to implement them. The specific grant is an effective way to do so. Around 80% of expenditure of local government is transferred from the Scottish Executive as Aggregate External Finance (Audit General, 2002: 47). It is composed of the Specific Grants, the Non-domestic Rates and the Revenue Support Grant. The ratio of specific grants in the whole budget has been slightly increasing, it was 7.8% in 1996/1997 and 10.6% in 2001/2002 (Midwinter, 2002b). The financial systems of local government have always been main issues between centre-local relations in the post war era. The centre and locality has been

arguing over not only the share of revenues but also the extent of discretionary powers of local government. As to the specific grants, local government is demanding the reform of ring-fencing grants for widening the freedom of spending. The Local Government Committee pointed out the problems of specific grants as follows.

“The Committee acknowledges that specific grant aid is appropriate for the Police service, but accepts the arguments advanced by many of the witnesses that the present high level of ringfenced funding restricts councils’ room for manoeuvre and in some cases means that councils have no option other than to devote resources to lower priority activities at the expense of higher priority activities. Accordingly, the Committee believes that as far as possible, central government support for local government spending should take the form of general grant aid - and that the number and size of ringfenced grants should be reduced.” (Scottish Parliament, 2002)

On the contrary, the Scottish Executive says that ring-fencing is not necessarily fixed, it is possible to get rid of such restrictions (McGarvey, 2003: 41). In fact, the specific grant for the Pre-School was transferred to the Revenue Support Grant in 2001 (Midwinter, 2002b: 44). It is difficult to evaluate the function of the specific grant objectively at the moment. The ratio of the specific grants is neither high nor growing sharply. However, it seems that the incentive through the specific grant embodies the new relations between the central government and local government. The Executive has to induce local government to ensure the outcome of public policies. Therefore, it can be said that it is an important strategy for the Executive to instil voluntary obedience into local government.

Such an intention of the Scottish Executive can also be seen in a recent programme, the City Growth Fund. This programme plans to stimulate the

economy of the six cities; Aberdeen, Dundee, Edinburgh, Glasgow, Inverness, and Stirling. It also aims to improve the living environment in them. In order to form the programme, two boards were organised to discuss issues with researchers, council officers, and experts in 2000. As a result of these deliberations, two reports were published in 2003. *Review of Scotland's Cities* investigated the socio-economic conditions of each city. *Building Better Cities* presented priorities and directions which each city should set out. In order to carry out the programme, the Scottish Executive stated that £90 million of the City Growth Fund would be allocated to the six cities, in addition to £20 million which aimed to reclaim vacant and derelict land in Glasgow and Dundee over three years (Scottish Executive, 2003a; b).

Some points can be noted in the scheme. Each city has to follow the procedures which the Scottish Executive have prescribed. Cities are supposed to submit the City-Vision, which presents how to utilise the fund and cooperate with stakeholders. In addition, cities are requested to turn in an annual and a final report to the Executive to demonstrate the result of the programme (Scottish Executive, 18 May 2003).

To compare with ambitious strategies, the amount of the fiscal resources is too little. For instance, the £40 million of grants, which the Glasgow City Council will receive over three years, is almost 0.66% of the budget of the council. It was the main problem which was pointed out by many experts and opposition MSPs (*Scotsman*, 4 July 2003; *Holyrood Magazine*, 11 February 2003).

Nevertheless, the Scottish Executive expects the cities to play a key role in coordinating the partnership with business groups, voluntary groups, local communities and NDPBs. For instance, the City-Vision of Inverness was drawn up by the Highland Council co-operation with Highlands & Islands Enterprise, Inverness & Nairn Enterprise, Highlands of Scotland Tourist Board, Inverness Chamber of Commerce, Inverness City Centre

Management Initiative, and University of the Highlands & Islands Millennium Institute. The feature corresponds with the principles of the new Local Government Act which promotes the well-being of each area. In relation to the programme, the Executive encourages the six cities to establish new institutions like Urban Regeneration Companies and Business Improvement Districts for promoting urban development and encouraging local businesses (Scottish Executive, 7 September 2003).

When it comes to urban regeneration programmes, the delay in setting up the policy was criticised by some experts. They pointed out that the Scottish Executive had not promoted an urban regeneration policy up till then, so it should establish a framework for promoting the programme following along the lines of the successful case of English Partnership. The agency was established in 1999 and is coordinating the network among private and public stakeholders in England (*Scotsman*, 16 May 2003).

Not many direct responses to the City Growth Fund were received from the six cities. Glasgow City Council assessed it as “two-and -a-half cheers”. Dundee City Council and Highland Council welcomed the result of the review. On the contrary, Aberdeen, Edinburgh, and Stirling City Councils did not state any formal comment. COSLA welcomed the plan and expected the positive role of the cities in the process of implementation (*Holyrood Magazine*, 11 February 2003).

Meanwhile, the opposition parties strongly criticised the City Growth Fund. The Conservative MSP Keith Harding said ‘councils should be free to spend the cash without having to seek executive approval’, and,

“This has nothing to do with devolution of power to local authorities, and all to do with the control freakery of the Scottish government.” (*BBC* 9 January 2003).

As far as looking at the aspect of ring-fencing, it seems that the City Growth Fund is not causing serious problems at the moment. Rather, most criticisms are aimed at the shortage of funds. The programme shows that whether its objectives will be attained or not heavily depends on the performance of local governance which is initiated by each city. The Six cities are expected to arrange the network with public and private stakeholders. Therefore, in addition to the fund, the Executive will have to offer more impetus to encourage local governments. In this sense, arranging new schemes for establishing Business Improvement Districts and Urban Regeneration Companies will become key measures for the Executive (Scottish Executive, 3 July 2003).

Emergence of Diverse Interests Among Local Governments

Devolution also revealed the difference of interests among local governments in Scotland. In the case of the City Growth Fund, some fundamental questions of local finance were raised by some cities. Glasgow and Edinburgh City Councils had demanded a review of the allocation system of the Non Domestic Rates to the Executive during the policy-making process. They complained about the current system whereby the central government now collects all the Non Domestic Rates and redistributes them to each council. They said that the two cities cannot receive fair fiscal resources from developing business activities. As a result, they have to spend public money to maintain the proper business conditions which everyone can enjoy regardless of council boundaries. Glasgow City Council argued that it lost £83 million in 2002/2003 because of the redistribution system of the Scottish Executive (*Scotsman*, 8 January 2003). Charles Gordon, the leader of Glasgow City Council pointed out the structural disadvantage which plunged the council into financial difficulties. As the reorganisation of local government has caused

serious financial problems since 1996, the council lacks enough funds to improve poverty (Gordon, 2002: 7). In the end, under the scheme of the City Growth Fund, the reform of the Non Domestic Rates was postponed until the UK government releases the results of an investigation into it. Instead, cities might be allowed to manage profits which were gained from the pilot programme in deprived areas (*Herald*, 10 January 2003).

Meanwhile, Dundee City Council asked for a review of boundaries to resolve the decrease in population during the compiling of *Review of Scotland's Cities* and *Building Better Cities*. The council also has suffered from financial difficulties due to the reorganisation of local government since 1996. Some researchers who joined the forum pointed out the necessity of reviewing local government boundaries for stabilising council finances and criticised the absence of this issue in *the Cities Review*. (*Holyrood Magazine*, 11 February 2003).

Apart from the argument over the City Growth Fund, allegations which demand the improvement of local financial conditions were also raised by other councils. The councillors of Aberdeen City Council also complained about the redistribution system of the Non Domestic Rates. They said the council lost almost £50million in 2003/2004 (*Press and Journal*, 24 February 2004). The Aberdeenshire Council also argued that the per capita fund allocation which it got from the Scottish Executive was 10% less than the average. The council organised Fair Share Campaign (*Press and Journal*, 18 December 03).

In terms of rural areas, depopulation causes problems which councils have to deal with. There are criticisms that the Parliament lacks enthusiasm for rural development, and should arrange more suitable programmes, such as promoting community-based development and investing in infrastructure (Mike Russell, 2004). In a particular case, Highland Council had to put pressure on the Executive in order to be allocated appropriate fiscal resources to implement social work for elderly

people. It said that the Highlands have the disadvantage of having an older population than other areas (*Press and Journal*, 15 November 2003). The council also demanded extra funds from the Executive because of covering the cost of education services. (*Press and Journal*, 6 February 2004).

The system of resource allocation was also one of the biggest issues in the Local Government Committee of the Scottish Parliament in 2002. Some local governments, conventions of local government and experts pointed out that the current calculation of the Grant Aided Expenditure is too complex and there is political arbitrary in the system. Most opinions demanded that the present system should be reformed to a more objective one. The Committee brought up the points which should be considered to improve the GAE as follows.

- the new grant distribution system should be formula-based - and that the distribution formula should be based on the results of research;
- there should be significantly fewer separate elements within the new grant distribution formula than there are within the current Grant Aided Expenditure assessment - and that the formula should continue to be service-based;
- the new grant distribution formula should reflect, on a service-by-service basis, the effects of deprivation on the costs of provision;
- in addition, the new grant distribution formula should take account of other factors, such as the effect on costs of the different population settlement and dispersal patterns found in mainland and island Scotland; and reflect the unavoidable costs councils face simply by “being in business”;
- the Executive tests the plausibility of the new grant distribution formula against, for example, evidence of service costs in different types of authority - eg urban, suburban, rural and island authorities;
- the new grant distribution formula uses the best available data - and that the data are capable of being updated;

- as far as possible, any time lag between the data used in the grant distribution formula and the taxbase data is eliminated - so for example, the population data used in the grant formula should relate to the same point in time as the tax base data used in the equalisation process; and
- the equalisation arrangements take account of the return of the non-domestic rate to local control. (The Local Government Committee 2002)

Thus, various opinions which demand more fiscal resources have been emerging from local governments since devolution. Most of them are derived from individual situations of local government. However, some of them may become critical issues which will cause conflicts among local governments, such as the reform of Non Domestic Rates and the review of local government boundaries. Although they have not yet caused conflicts among local government, the reform of the GAE, staff relocation policy of the Scottish Executive and NDPBs and the abolition of Skye toll (*Sunday Herald*, 21 December 2003) will make it difficult for the executive to consider the balance of interest for Scotland as a whole. In practice, while rural councils demand an improvement to the conditions in their areas, Charles Gordon, the leader of Glasgow City Council argues that the Scottish parliament sees rural policies as more important than urban affairs, because most of the Liberal-Democrats and the SNP's MSPs were elected from rural constituencies (Gordon, 2002: 7). In addition, some MSPs who are elected from Edinburgh informally criticise the First Minister for preferring to move the Executive staff to Glasgow (*Sunday Herald*, 18 January 2004).

There is little doubt that devolution broadened the opportunities of participation in the decision-making process of the Parliament. MSPs are playing a key role in emphasizing the assertions of local government.

However, many political actors who expected to receive the fruits of devolution are not satisfied. Notably, local government thought it contributed to the establishment of the Scottish Parliament, but not all councils are satisfied with current situation. It can be said that the closer the power is to political actors, the more competition for getting resources is visible. Therefore, policy communities have transformed into more diversifying and competitive situations since devolution (Keating and Loughlin, 2002: 27-29).

Such conditions caused a decrease in the integration power of COSLA. While COSLA promotes and protects the interests of local government, its role may be limited demonstrating the common cause of all local governments. It can be said that the more diverse the interests among local government, the less integration power COSLA has. In practice, Glasgow City Council, Falkirk Council, and Clackmannanshire Council seceded from COSLA in 2001. Glasgow City Council complained that COSLA did not help to improve the financial allocation system of Scottish local governments. The council thought it was impossible to improve its financial difficulties under the alliance of COSLA. An empirical survey says that COSLA is perceived to maintain intimate relations with the Scottish Executive and it does not impartially deal with the requests of councils (Bennett et al., 2002).

Intervening with Local Government

The Scottish Executive utilises agencies to attain the objectives of public policies effectively and efficiently. However, this causes tension and conflict between the Executive and local government. The use of agencies brings about the deprivation of power from local government. For instance, the proposal of National Correctional Agency involves the removal of part of social work from local government, and the foundation

of the Transport Scotland will result in the abolishment of the Strathclyde Passenger Transport Authority. These reforms are intended to improve the performance of policy delivery from the point of the central government (*Herald*, 17 October 2003). However, Local government is very concerned about the establishment of new agencies which might lessen their authority and discretionary powers. For instance, in the process of the consultation about Transport Scotland, COSLA opposed the establishment of the agency and demanded evidence of any problems with the present system. Glasgow City Council and City of Edinburgh Council were concerned about the trend of centralisation and deprivation of powers of local government (*Holyrood Policy Journal*, January 2004: 17).

Apart from establishing agencies, the Scottish Executive tries to intervene with local government to remedy “the failure of governance”. A bill which gives education ministers intervention powers to failing schools is in planning at present. (*Herald*, 17 October 2003, 13 May 2004).

These issues pose difficulties of policy implementation not only to local government but also to the Scottish Executive. The existence of a local authority itself, which is the closest government to the people, does not ensure proper policy implementation. It is possible for central government to tightly control affairs of local government whenever it finds more appropriate measures of delivering services. However, agencies do not necessarily always promise to show “good governance”. The conundrum for agencies is the relation between these organizations and individual ministerial responsibility. If agencies want to perform more effectively and efficiently, they will have to be more independent from Ministries. In that situation, it is more difficult for Ministers to take responsibility for the performance of the agencies. On the contrary, the more Ministers try to control the organizations, the less flexibility for the agencies. In other words, balance between efficiency and democracy is an unresolved problem (Jordan 1994: ch.5, Clarence 2002, Budge et al., 2001: ch.9).

Therefore, it cannot be categorically said that agencies are a better solution than policy implementation by local government. Notwithstanding, the Executive will promote the establishment of agencies to take accountability and responsibility to the Parliament and people. The two levels of governments will have to continue not just to struggle for power but also to pursue more proper measures of accountability and responsibility for public service delivery.

Improving Local Democracy -the Reform of the Election System-

The plan to reform the election system of local government is the most symbolic issue which reveals the difference of perception of local democracy and modernisation and the difference of ideas on how to remedy local governance between the Scottish Executive and local government. The coalition government introduced the Local Governance (Scotland) Bill in 2003 for the purpose of improving the performance of local democracy. The bill mainly proposes the introduction of the Single Transferable Vote into local government, deregulation of who is eligible to stand as councillors, and the establishment of an independent committee for reviewing remuneration of councillors. The Single Transferable Vote system was one of the most important points in the bill. When Labour and the Liberal-Democrats negotiated forming the coalition government after the election in 2003, the Liberal-Democrats strongly insisted that a reform of the election system should be introduced as soon as possible. The coalition government stressed the significance of the bill for “strengthening local governance and renewing local democracy” and “improving democratic participation and widening the range of people who became involved in local government” (Scottish Executive, 2003c).

Supporters of the Single Transferable Vote say that as it is possible that minority vote could secure the majority of seats under the First-Past-The-

Post. The new system will remedy the gap between the share of the vote and the number of seats. On the contrary, opponents of the Single Transferable Vote argue that it will undermine the close ties between politicians and constituents. As a result, 'hung councils' will grow and cause low turnout. Strong opponents are local governments and labour councillors' constituents (Herbert 2003b). For instance, COSLA expressed its opinion opposing proportional representation system and supporting the current FPTP in the consultation on the bill as follows.

"The view of the majority of COSLA's member councils is that there should be no change to the status quo. The First Past The Post system provides for strong political leadership of a Council with a clear mandate to carry through the programme of measures put to the electorate. It also provides a clear member-ward link and gives a fair opportunity for independent councillors to be elected.

COSLA feels that undue account has been taken of issues of proportionality in the decision to adopt the STV system of proportional representation" (COSLA, 2003c, cited Herbert 2003b).

Notwithstanding the strong opposition by COSLA, the majority of local governments, and most Labour councillors, the bill passed by an overwhelming majority in March in 2004. Pat Watters, the President of COSLA expressed following critical opinion.

"a move to STV would damage local democracy beyond repair as the key link between Member and Ward is not only broken it is shattered"(COSLA, 2004).

The process of reforming the voting system of local government shows that the Scottish Executive and local government do not share the same

interpretation of local democracy. The Scottish government can interfere with the realm of local government for the sake of “strengthening local governance and renewing local democracy”. Interestingly, such a centralised decision-making style and justification resembles the reorganisation reform of local government which was carried out under the Conservative government in the pre-devolution era (Midwinter, 1995: 87).

According to an empirical study, there is a gap of understanding and evaluation of the councillors’ activities between the upper government and the frontline local politicians. Councillors see their main role as assisting their constituents, representing community views and promoting ward interests. On the contrary, they do not give high priority to scrutinising the performance of council services or holding council officials to account. Such tasks are understood as *main principles for modernising local government’s political management arrangement* by the current Labour government. In Scotland, the government’s view was shared by the McIntosh Report and the Kerley Report (McAtter and Orr, 2003).

The process of councillor’s election reform also shows that party politics have a great influence on structural reforms of local government. Even if the central government lacks full cooperation from local government, policies which are a high priority on the manifesto tend to be positively promoted by the governing parties. It seems that this is an exceptional case in conventional policy communities of local government. As described above, central government and local government form policy communities which are based on consensus and negotiation. These informal relations allow both governments to ensure stability. Although there is some degree of difference, the features of intergovernmental relations can be seen in both Scotland and England & Wales. However, such policy style cannot be seen in all policy fields. According to Jordan, non-negotiable/manifesto policies, value-changing policies, and constitutional policies do not make consensus-based policy-making (Jordan, 1982:

100-102). The case of the Local Governance (Scotland) Bill might be categorised into non-negotiable/manifesto policies.

In addition, ironically, the policy whereby the upper government tries to impose electoral reform on lower government can also be seen between the UK government and the Scottish government. While the Scottish government imposes electoral reform on local government, the Scottish government itself has reform imposed on it by the UK government. The Secretary of Scotland set up a commission to consider the election system of the Scottish Parliament in February 2004. It is reviewing the MSPs election system in order to bring it into alignment with MPs constituencies. The commission hints at a plan that the MSPs constituencies should be changed to be in line with the new 59 MPs' ones. The constituencies for Westminster have been reduced to 59 in Scotland, so, two MSPs will be elected from each constituency. At the same time, 11 MSPs will be elected from the proportional representational system from the whole of Scotland. One intention of the commission is to reduce the complexity of voting systems. However, there was criticism by the opposition MSPs that this plan allows Labour MPs to control the election system of the Scottish Parliament (*Press and Journal*, 4 February 2004; *Holyrood Magazine*, 23 February 2004).

Conclusion

Scottish Devolution established a new intergovernmental system between the UK government and the Scottish government and it has an influence on the relations between the Scottish government and local government. However, the Scottish government has to perform policy activities within the bounds of the political system. First, the Scottish government has to act under the Union and still has close relations with the UK government formally and informally. The current coalition

government is occasionally criticised for not pursuing Scottish distinctiveness by the opposition and media. Secondly, although the Scottish government formally has to take responsibility for and accountability of public services, it has to depend on local government to implement them. Thirdly, although the Scottish Parliament is in a hierarchical position to local government, the Parliament and Executive have to formally respect the principle of subsidiarity. These situations put the Scottish government in a dilemma.

Under these circumstances, the Scottish Executive has to manage complicated relations with local government. First, the Executive has to induce local government to ensure the results of policy performance. In order to maintain cooperative relations the Executive instils voluntary obedience to local government. In this sense, specific grants might still be effective means although the ring-fencing system is criticised. Next, devolution has made access to the Scottish Executive and Parliament much easier for local government and interest groups. The Scottish Parliament also offered wider opportunities of expressing opinions to local government. The variety of interests among local government is emerging in the chamber and committees of the Parliament. After devolution Scottish local governments were put into more competitive and diversified conditions. In addition, to attain the objectives of present public policies the role of private bodies and voluntary organizations is becoming essential. At the same time, local government has to coordinate the partnership with them. Thus, "governance" seems a more useful concept than conventional terms to understand current Scottish politics. Notwithstanding, it is still necessary to focus on the roles and norms of governmental activities when it comes to consider accountability and responsibility of public policies. The arguments which were revealed in the process of introducing the proportional representation system and establishing new agencies show that the centre and locality have different views of the concept of local

democracy, modernisation, and governance. The Scottish Executive imposes its own ideas on local government taking account of party politics and remedying “the failure of local governance”. In order to comprehend the intergovernmental relations in Scotland, it is necessary to focus on the activities of party politics which enforce the structural reforms on lower level government as well as the transformation of the policy community.

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The Transformation of Governing Style in Scotland **—— Between the Union and Local Government ——**

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This article examines the activities of the Scottish Parliament and Executive in its relations with the UK government and local government. In particular, it focuses on the intimate and tense ties between the Scottish Executive and local government. While the Scottish Parliament possesses legislative power, it has to act within the limit of the Union and maintain close relations with the UK government in terms of legal, fiscal and political party restraints. At the same time, although the Scottish Executive and Parliament are in a hierarchically superior position to local governments, they have to *depend on local governments to implement public services*. The activities of the Parliament and Executive are judged by the public in the intricate relations of other level governments. Under such situations, the Executive has to induce local government to ensure the outcome of the public policies following the new ideas of the Local Government in Scotland Act in 2003. The Executive also has to deal with diversifying interests which are more tangible after devolution among Scottish local government. In appearance, it seems the conditions of intergovernmental relations embodies the “governance” of Scotland. Nevertheless, if necessary, the Executive can impose change on the local government system, taking account of party politics and the remedy of “local governance”. The activities of government which exert powers and cause political tension remain considerable subjects for political students.

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