He Who Pays the Piper Calls the Tune:

Exploring Asymmetry and Imbalance in Scottish Local Government Finance Since 1974

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Submitted in fulfilment of the requirements of the Degree of Doctor of Philosophy in Urban Studies

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Abstract

Local government finance (LGF) and its reform has become an intractable, complex problem in the UK. The system has long attracted criticism and, despite repeated efforts to enhance fairness, accountability, and efficiency, faces many of the same challenges today that it faced 50 years ago. Often reforms have failed to address core funding problems, instead serving to consolidate central government control and limiting local government's fiscal and policy autonomy. This has also been true in Scotland before and since devolution and has been in spite of a rhetoric which often espouses the benefits of localism, decentralisation, and subsidiarity. To understand this research problem, the thesis offers a diagnosis of the nature and consequences of restricted financial freedom for Scottish local government, with specific reference to local domestic tax policy (LDTP) since 1974. In doing so, it explores why in spite of continuous efforts over the past five decades reform has been thus far unsuccessful in addressing many of the core problems. This research adopts a historical institutionalist approach to understand the processes and institutions involved in local government finance and its reform across three case studies. These case studies represent three critical junctures in LDTP reform which have emerged from a review of the literature. They are:

- **1975-77**: The 'Layfield Committee', its report, and the reception to its proposals
- **1989-91**: The Poll Tax, its collapse, and the design of the Council Tax
- **2014-16**: The Commission on Local Tax Reform, its report, and reception

This thesis employs archival research and elite interviews to explore the influences on the policy process and the forces stymying reform. The research uncovered several key findings that have implications for both local government finance reform and public policy more broadly. These findings relate to the nature of multi-level governance reform (in terms of both structural and constitutional considerations), the role of formal and informal relationships between central and local government, and an apparent "institutional gravity" that can limit departures from long-established practices. By exploring these themes, this research underscores the value of looking into the past to inform our understanding of present-day challenges.

Table of Contents

List of Tables

List of Figures

Acknowledgements

It would take another thesis to thank everyone who has helped me put this one together, but in true academic style I will try to condense it down to one brief page.

I would like to first thank my supervisors, Prof. Ken Gibb and Prof. James Mitchell. Without your guidance, challenge, and patience I would not be where I am today. To you both, I am endlessly grateful for supporting me when it was needed, leaving me when it was wanted, and pushing me when it was required. Your mentorship has taught me much more than lessons about the PhD alone. For this opportunity and privilege – thank you.

Without the generosity of my interviewees, I would have lacked not only all of your wonderful insights but also a welcome reminder that 'the fight goes on' for a better system. For that I am sincerely grateful. Local government finance is endlessly complex and your patience in helping me navigate it has been greatly appreciated. From the simplest explanations to the most specific nuances, thank you for donating me your time.

To my mum and dad – I could not have done this without your encouragement and belief from day one. You have always pushed me to do what I love and think about the rest later, and to be free from any pressure or expectation is one of the best gifts you can give. On a more practical level, thank you for every little thing you've done in these last four years from food shipments and house removals to day trips and gardening – every distraction and helping hand has been appreciated.

To all of the friends who have shared my burden for the last four years – my sincere apologies. At least I chose to study local government finance, you all have been subjected to it against your wishes. Nonetheless, I am grateful to you all for sharing in the highs and lows and cheering me along all the same. It will take a lifetime to repay you, and I look forward to the task.

To all of my colleagues and mentors in the Department of Urban Studies and the wider university, thank you for welcoming me into this thriving academic community. Your persistent support in spite of busy lives and schedules has had an immeasurable impact on my development as a researcher and teacher. Thank you for inspiring me.

Lastly, I would also like to thank Dr Lynn Bennie. Having spent four years thinking and writing about critical junctures, it is not lost on me how important your support at the end of my undergraduate degree was in putting me onto this path. Had you not encouraged me to take a risk, I would certainly not be here today. Thank you for providing me this opportunity.

To everyone who has played the smallest part in this journey – thank you. I look forward to the next chapter and hope to be able to call on your help again.

Author's Declaration

I declare that, except where explicit reference is made to the contribution of others, that this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

Printed Name: Lewis Forsyth
Signature:

Abbreviations

Abbreviation	**Full Form**
APM	Asymmetric Power Model
COSLA	Convention of Scottish Local Authorities
CLTR	Commission on Local Tax Reform
DPM	Differentiated Polity Model
DoE	Department of the Environment
HI	Historical Institutionalism
HMT	Her Majesty's Treasury
IFR	Intergovernmental Fiscal Relations
IGR	Intergovernmental Relations
LDTP	Local Domestic Tax Policy
LGF	Local Government Finance
LIT	Local Income Tax
MLG	Multi-Level Governance
PET	Punctuated Equilibrium Theory
SNP	Scottish National Party
SOLACE	Society of Local Authority Chief Executives
SPICe	Scottish Parliament Information Centre
UK	United Kingdom
VHA	Verity House Agreement
VOA	Valuation Office Agency

1 Introduction

> "Dissatisfaction with the existing system of local government finance in the UK is no new phenomenon. There has been a steady stream of official studies and unofficial proposals for Rates reform since the war"
>
> (Smith and Squire, 1987, p. 5)

Smith and Squire opened their 1987 report with this statement to highlight how enduring an issue local government finance (LGF) reform had been - over 35 years later, there has been 'a lot of change, and not much change at all' (SPICe, 2019b). Despite (sometimes radical) reform, the existing system of local government finance remains unpopular, whilst evidence on the problems and proposed solutions have continued to mount. Perhaps surprisingly, the dissatisfaction is borne from the same criticisms now as then:

- The public view the local domestic tax element as unfair
- Local government protests of threats to their fiscal autonomy and the effect on service delivery
- Central government(s) struggle to balance the need for control with the need to let go for pragmatic reasons
- Confusion over roles/responsibilities, and complexity in their associated funding streams, has blurred lines of accountability

This PhD has two primary aims. Firstly, it seeks to identify the financial challenges facing local government in Scotland and explore the nature and consequence of these challenges. Broadly, this entails an analysis of the financial levers available to local government in Scotland and how these have changed over time. The research will focus on local domestic tax policy (LDTP) in the first instance as both the most controversial element of the system and the only remaining source of revenue still fully controlled by local authorities. In doing so, it will diagnose the limitations of the Council Tax in Scotland, the range of alternatives on offer, and contemporary political economy challenges to its reform. This is achieved through comparisons with previous iterations of local domestic taxes in the UK (The *Rates* and the *Poll Tax*).

Secondly, it will assess attempts to *reform* local government finance, a process which has proven challenging in Scotland both before and since devolution. As will be shown, the problems facing local government are well known and long established, yet reform attempts over the past five decades have been largely ineffective in addressing the core issues identified by commissions, experts, and the wider public. Whilst some periods have been marked by great change, others have been characterised by an enduring continuity. At the same time, a ‘creeping centralisation’ has been identified which reflects a longer-term trend in local government finance (Powell, 2004, p. 38). These developments reflect a ‘common schizophrenia’ found in wider local government literature, in which commentators oscillate between seemingly incompatible narratives of stagnation and evolution (Lowndes, 2005). This condition reflects the reality that despite significant change across five decades, many of the problems remain the same.

To achieve this, the research combines archival research and elite interviews in a qualitative case study approach. In doing so, it utilises historical institutionalism to understand the processes and institutions involved in local government finance and its reform across three case studies. These case studies represent three critical junctures of reform which have emerged from a review of the literature. They are:

- **1975-77**: The ‘Layfield Committee’, its report, and the reception to its proposals
- **1989-91**: The Poll Tax, its collapse, and the design of the Council Tax
- **2014-16**: The Commission on Local Tax Reform, its report, and reception

The research explores how reform proposals emerged and evolved during these critical junctures, evaluating their relative successes and failures both in the shaping and implementation of policy.

1.1 Local Government and its Financing

Scotland has operated a system of 32 unitary councils since 1996. They are represented by a membership body, the Convention of Scottish Local Authorities (COSLA), who negotiate and advocate on their behalf. Councils in Scotland represent a diverse range of communities, from rural hinterlands to densely populated cities. As such, they face a range of unique challenges, from agricultural and fishing infrastructure, to addressing legacies of de-industrialisation and inequality. They are also involved in a range of other activities from the delivery of national legislation to the provision of ‘everyday’ services such as street lighting and refuse collection. To fulfil their statutory duties and elective functions, local councils are responsible for the delivery of a range of services and facilities as summarised in Table 1 (McConnell, 2004b, p. 16).

Table 1 Statutory Duties and Permissive Powers of Scottish Local Government

Mandatory Duties	**Permissive Powers**	**Regulatory Powers**
Education (for all 5-16 year olds)	Recreational services (such as swimming pools and libraries)	Food safety and Environmental health
Social Work (including care for the elderly)	Economic Development Strategies	Issuance of licences (such as gambling and taxi licences)
Housing (including homelessness and the provision of council housing in 26 local authorities)	Promotion of tourism	Trading standards
Arrangements to secure 'Best Value'	The production of by-laws (such as Glasgow's ban on the outdoor consumption of alcohol)	Registration of births, deaths, and marriages

Indeed, for many years, Scottish local authorities performed many more functions than comparable municipalities in the USA, Canada, and Australia (McConnell, 2006, p. 73), although many of these functions have since been redistributed and fragmented. At the same time, fiscal and policy constraints curtail discretionary autonomy for many of their remaining responsibilities (Midwinter and Monaghan, 1993, pp. 6-11). Local authorities are also 'creatures of statute' in that they only operate *intra vires* ('within the powers') and with the continued consent of Parliament (McConnell, 2006; Mitchell, 2024). Since 1999, local government exists in the context of a devolved Scottish Parliament which has become the *de facto* centre.

Within living memory alone, local government and its financing has had to adapt to significant change, yet in many ways it looks remarkably similar. On the one hand, there can be seen to be significant changes across the longer-term which reshaped the nature and context of governance in Scotland. Since the start of the 1970s, there have been 22 governments of the United Kingdom (UK), 12 prime ministers, 7 Scottish first ministers, 12 Scottish governments, 6 recessions, 3 local domestic taxes, 2 local government reorganisations, and 1 reconvened Scottish Parliament. This list is illustrative but not exhaustive of the changes which have come to bear on local government. In that time, local government has seen its responsibilities variously reduced, expanded, and redefined; it has undergone periods of financial expansion and contraction; and central governments have adopted both hands off and hands on approaches (in both rhetoric and reality). Throughout this period, there has existed both threats to local government's autonomy and a general discontent towards the system by which it is financed. A snapshot of the different political approaches to local government captures some of these changes in Table 2 (reproduced from Sullivan, 2003, p. 55).

Table 2 Changes in the Role and Purpose of Local Government

PRE-1979	**CONSERVATIVE 1979-1997**	**NEW LABOUR 1997- 2010**
Provider	Enabler	Leader
Client	Consumer	Citizen
Hierarchy	Markets	Networks
Corporate Bureaucracy	Fragmentation	Joining-up
Professionals	Managers	Reticulists[1]

And yet, on the other hand, there has been a considerable degree of consistency. The public still pay an unpopular domestic property tax which is viewed as unfair and without clear lines of accountability (Commission on Local Tax Reform, 2015). Despite the path-breaking potential of devolution, local government's organisation and funding is also largely unchanged in the last 30 years. Indeed, many pre-devolution legal, financial, and policy mechanisms remained the same after 1999 in that local government remains a creature of statute with considerable fiscal constraints (McConnell, 2006). Throughout, centralism and control have framed the centre-local relationship and policymaking style in Scotland, reflecting the endurance of the 'British Political Tradition' even after devolution (Marsh, 2008; McGarvey, 2020). These seemingly incompatible narratives have had consequences for local governments who are increasingly expected to do more with less. These challenges have been accentuated by over a decade of austerity and a pandemic, yet these tensions have long existed. Moreover, they have passed from old institutions to new. As McGarvey (2002, p. 39) noted, "the Scottish Executive inherited a centralised system of local government finance characterised by a high degree of grant dependency, based on an inelastic property tax, [and] under a strict capping regime to control expenditure" – this

[1] Having particular skills in networking, facilitating, and connecting often disparate interests and expectations

continuity suggest a path dependence which extends beyond any single person, government or 'brick and mortar' institution. Over 20 years later, this assessment largely holds true, leading some to conclude that there has been 'a lot of change, and not much change at all' (SPICe, 2019a).

1.2 The Challenge of Reform

Local government confronts a range of intractable 'wicked problems' (Gallagher, Gibb and Mills, 2007, p. 33) from poverty to environmental protection and, as a result, is a highly complex institution in its own right. This complexity is also true of its financial arrangements and emerges in terms of both political and policy challenges. On the one hand, addressing national and local priorities in a co-ordinated fashion requires the careful design and implementation of highly specialist funding and expenditure mechanisms. On the other, there is a political dimension which has produced intense and ongoing debate as to who pays for local government, how *much* they should pay, and the appropriate level of control in the centre-local relationship (McConnell, 2004, p. 179).

Frank Layfield, Chair of the *Committee of Inquiry into Local Government Finance,* attempted to address these questions and challenges in 1976. The ground-breaking and "still widely quoted" (CIPFA, 2015, p. 23) report which it produced offered long term solutions rather than short-term fixes to these challenges (Travers and Esposito, 2003, p. 47). Was the role of LAs to act as governments in their own right, or was their purpose to act only as agents of central government? For Layfield, it was necessary to answer this question before any decision about finances could be made. The report called for a choice to be made:

> "It is our view that a decision needs now be taken to place responsibility firmly either with the government or with local authorities. That means either adopting a financial system which frankly recognises a need for strong central direction or taking positive steps to increase the ability of local authorities to manage local affairs"
>
> (Committee of Inquiry into Local Government Finance, 1976, p. 74)

Whilst they took no official stance, the committee "leant unmistakenly towards the localist solution to the general relief and approval of the [professional bodies]" (Crispin, 1977, p. 38). Despite the pressure from the public and experts alike, the recommendations of the report were largely rejected by the government at the time. Since then, there have been a steady stream of official commissions, reviews, and papers which have sought to address LGF, many of which mirror Layfield's 1976 analysis (Table 3). Even setting aside academic and grey literature, rarely five years passes without a major publication on the problems or proposed solutions to local government and its financing.

Table 3 Sample Selection of Official Reviews and Commissions which Consider Local Government Finance

Year	Name	National Focus
1976	Layfield Committee Report	GB
1981	Alternatives to Domestic Rates (Green Paper)	GB
1986	Paying for Local Government (Green Paper)	GB
1991-1995	Local Government Review(s)	Scotland + England and Wales
1999	McIntosh Commission	Scotland
2002	Local Government Committee's Finance Inquiry	Scotland
2004	Balance of Funding Review	England (applicable GB-wide)
2006	Burt Committee Review	Scotland
2007	Lyons Inquiry Report	England
2014	Inquiry into the Flexibility and Autonomy of Local Government	Scotland
2014	Commission On Strengthening Local Democracy	Scotland
2015	Commission on Local Tax Reform	Scotland

Following the rejection of Layfield's analysis, the 1980s were nonetheless characterised as 'drifting to a new centralism', with local government control a central political objective for Margaret Thatcher's Conservatives (Midwinter and Monaghan, 1995). An ongoing project throughout the decade, expenditure-focused reforms attempted to curtail local government spending through strict target setting practices enforced by penalties and capping strategies. Perhaps the single most significant attempt to reform local government finance came with the Local Government Finance Act 1988. This legislation saw the introduction of the Poll Tax, officially called the *Community Charge*, alongside a package of reforms which overhauled Non-Domestic Rates and recalibrated the system of grants. Crucially, political leadership 'led from the front' in this instance, having been driven by a determination and vision to reform for a decade. Whilst the broader package of reform was largely ‘successful’ insomuch as it stood the test of time, the Poll Tax itself proved to be a ‘blunder’ that was quickly abandoned and led to the fall of Margaret Thatcher (King and Crewe, 2013). Whilst deeply unpopular, the Poll Tax acts as a reminder that radical change can be delivered, although such changes are likely to be highly contentious and short-lived if not implemented correctly.

In its place, the Council Tax emerged bearing many of the hallmarks (and problems) of the Rates which had existed in the UK since the 1600s. The tax, based primarily on a valuation register which is now over 30 years out of date, is viewed as unfair and poorly related to ability to pay (Commission on Local Tax Reform, 2015). A ‘hybrid’ tax, it combines a property element with a ‘personal’ discount for single person households, but despite changes has failed to address the shortcomings of either of its two predecessors. Although the Council Tax was originally accepted uncontroversially, it has since proven widely unpopular and difficult to replace despite efforts throughout the 2000s and 2010s.

At the same time, the trend of reducing local government autonomy has continued into the millennium and devolution, with local governments now controlling less of their budget than ever before. An increase in ring-fenced grants (and informal ‘directed spend’) has limited the discretionary power of local authorities, whilst a Council Tax ‘freeze’ which prevents changes to the rate levied has effectively removed control of the last remaining fiscal lever available to them. By 2015, this arrangement had become unworkable and the Scottish National Party (SNP), facing rate rises, sought to replace the Council Tax as it had promised to in its manifesto. This led to the establishment of the *Commission on Local Tax Reform* (CLTR) in 2015.

The CLTR (2015, p. 79) concluded with one recommendation clear above the rest:

“The present Council Tax system must end.”

Whilst the report did lead to minor changes to the marginal progressivity of the tax and an end to the freeze, the Council Tax itself ultimately continued. This means that over three decades later, our system of local government finance is still largely a consolidation of two separate efforts to reform around the turn of the 1990s - both of which have seemingly become ‘locked in’.

Taking this long view might lead the observer to conclude that (i) there has, for some time, been serious and recurring problems with local government finances and (ii) attempts to reform have either been ineffective, unsuccessful, or patchwork. Moreover, the problems with LGF, the challenge of reform, and the propensity towards central control, appear to transcend any single person or government. Clearly the choice presented by Layfield remains pertinent today, but given the passage of time, the central question for researchers ought not to be 'what must be done?' but rather, 'why has it not been done already?'

1.3 The Thesis

Building on this challenge, the research asks three main questions:

1. To what extent (if any) is local government and its financing evolving, given competing narratives that it is both radically different and yet fundamentally unchanged?
2. What barriers exist to the reform of local government finance, particularly as they relate to local domestic tax policy (LDTP)?
3. How have these barriers been overcome?

This brief introduction has presented a primer on the research problem that will be explored throughout the thesis. The remainder of the thesis proceeds as follows:

> **Chapter 2** explores the intricacies of the financial system in greater detail, offering a diagnosis of the system as it exists in 2024. It offers an initial summary of the practical challenges, with a particular focus on the Council Tax, as well as a brief overview of the proposed solutions. Throughout the chapter it also introduces some of the key changes to LGF in the past five decades to set the scene for chapters 5, 6, and 7.
>
> **Chapter 3** reviews the academic and grey literature to explore theories of change and continuity, intergovernmental fiscal relations, and fiscal federalism. It highlights that there are two longstanding issues in Scottish local government finance – a gradual removal of local government autonomy and an unsatisfactory local domestic tax which has seemingly become 'locked in'. In doing so, it presents 'best practise' approaches to reducing these barriers before critiquing these 'ideal type' solutions, highlighting the political economy realities of reform. Having demonstrated that even political economy challenges do not explain the *enduring*

nature of the local government finance problem, it offers a critical interrogation of historical institutionalism and its associated theories of change as a possible avenue for exploration.

Chapter 4 develops these theories of change into a practical research design. This design is reflective of the critical realist philosophy which guides the research, the time and resource constraints of the project, and the need to capture the correct data to answer the research problems and question. It clarifies the temporal case study approach adopted, which utilises a critical juncture framework, and explores the reasoning behind this. It then justifies the selection of case studies and data collection methods and outlines the analysis strategy used throughout.

Chapter 5 presents the findings from the first case study. It begins with a discussion of the events preceding the critical juncture and explores the evolution of LGF in the post war period, the crises which precipitated the Layfield Commission, and the groundbreaking report. It offers an analysis of the report itself as well as its reception in Government circles. It highlights the contested purpose of the Commission, the viability of its recommendations, the uncertain constitutional future in Scotland, and the strong centre-local relationship as possible reasons that reform was not successful on this occasion.

Chapter 6 presents the findings from the second case study. It begins by filling in the history between case studies 1 and 2, characterised by a ongoing focus on local government and its financing throughout the 1980s. It outlines the crisis in 1985 which produced the short-lived Poll Tax in 1989, before focusing its attention on its collapse and the opening of the second critical juncture. The decision making surrounding the selection and design of the Council Tax frames the core findings from this chapter. These highlighted the significance of the timelines to the policy design, the deliberate choices which explain the problems of the current system, the instrumental use of consultation processes, and the attention paid to structural changes over finances. All of these were found to effect both the ‘success’ of the reform process and the outcomes themselves.

Chapter 7 presents the findings from the third case study. Again, it begins by filling in the history between case studies 2 and 3, particularly as it relates to reorganisation in 1996, devolution in 1999, and Scottish developments since. It explores the problems which emerged in local government financing and centre-local relations, how these were dealt with, and how they re-emerged as even more significant issues in the mid-2010s. These antecedent pressures led to the formation of the Commission of the Local Tax Reform, whose report in the months leading up to an election opened a critical juncture which ultimately closed without realising the full potential of the report's recommendations. It once again raises the intentions behind the use of commissions to respond to the challenge of LGF reform, whilst highlighting the 'winners and losers' problem as becoming tied to a wider question about Scotland's constitutional future. It also finds that a 'weakened local' was unable to effectively push for change.

Chapters 8, 9 and 10 synthesise the research's findings into three discussion themes which engages with the trends in local government finance, the barriers to reform, and the consequences for outcomes. **Part 1** explores questions of structure and agency and finds historical institutionalism to have been useful in understanding the reform process if accompanied by a suitably rigorous interrogation of its associated theories, some of which hold and others which do not. In **Part 2**, these themes are developed and explored in the context of agendas and temporality. Closer attention is paid to the *pre-decisional* processes which produce the conditions for reform and the wider contextual factors which appear to influence it. **Part 3** delves into these broader factors in more detail with a discussion of intergovernmental relations and changes.

Chapter 11 offers some concluding reflections. It returns to the research problem and questions, answering them directly based on the previous extended discussions. It also comments on the use of the historical institutionalist approach employed throughout the thesis and the contribution this has made to understanding LGF reform. This segues into a discussion about limitations, both practical and as a result of the specific approach. It concludes by setting the agenda for future research.

2 The State of Play

Local government and its financing in Scotland has undergone considerable change over the past 50 years, yet local domestic tax policy (LDTP) looks remarkably similar to the untrained eye. Its current manifestation in the Council Tax, which has been in effect since 1993, is replete with issues from an out-of-date property register to a highly regressive distribution. These same problems plagued its predecessor, the Rates. When considered as a cog in the wider machinery of local government financing, it has occupied an increasingly marginal role in the funding of local services, particularly as a result of the recent Council Tax freezes which have effectively removed local revenue discretion entirely (explored further in Sections 2.4.2 and 7.3). Moreover, ten years of austerity policies have created significant new challenges for service delivery (Hastings *et al.*, 2015). These challenges were crystallised for local authorities (LAs) during the COVID-19 crisis and recovery, with many services now warned to be approaching ‘breaking point’ by some council leaders (Paton, 2023). The consequences of this are already being realised in England, where seven councils have declared effective bankruptcy since 2018[2] and one in five councils face the same prospect within three years (Local Government Association, 2023). Concerns have now also been raised that this may too become a reality in Scotland if action is not taken to improve their financial operation (COSLA, 2023a; LGiU, 2023).

Since the 1970s, the story of local government finance in Scotland and the wider UK has generally been one of control. On the one hand, local authorities argue for more financial autonomy in order to deliver what they would see as flexible, efficient, and accountable services to their constituents (see Lyons and Crow, 2004). On the other, central government seeks to maintain control and influence over policy and finances to meet macroeconomic objectives whilst strategically limiting their exposure to blame. These two ambitions have historically been incompatible, with central government forced to engage in constant negotiation as they play in the “game of democratic accountability” (Cairney, 2016 cited in Cairney, 2022, p. 56). This produces trade-offs between central and local control and, in seeking to strike a balance, often results in unintended consequences for all (Cairney, 2022, pp. 56-57). With local government legally and financially dependent on central government however, this negotiation has often favoured central government

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[2] At time of writing - Birmingham City, Croydon, Northamptonshire County (now lifted), Nottingham City, Slough Borough, Thurrock, and Woking Borough councils. Northumberland has also issued a Section 114, but for a separate breach of the Localism Act unrelated to their ability to balance the books.

(Mitchell, 2024, p. 207). Over time, this has financially constrained local government, removed many of its powers, and reduced its autonomy. This process of centralisation has occurred in both the UK (Lodge and Muir, 2010) and Scotland (McGarvey, 2019a), despite aspirations of a ‘new politics’ in the latter (see Cairney and McGarvey, 2013 for a fuller discussion on 'new politics' and the debate surrounding it).

The funding of local government is complex and dynamic. This complexity and variation is necessary to respond to the broad range of functions (statutory and elective) which local government performs in the 21st century. This is further complicated by the unique geographical challenges of Scotland which is home to urban, rural, and islands authorities with vastly different resources, needs, and priorities (Accounts Commission, 2019). How this revenue is sourced, the balance of funding between central and local government, and the autonomy local authorities have in spending these resources, is greatly varied across OECD countries (Slack and Bird, 2014, p. 30). In Scotland, it is funded by an 80:20 split of central grants and locally raised tax revenue[3], the balance of which has shifted from approximately 50:50 in the 1980s (SPICe, 2019b). This has contributed to local government in the UK becoming one of the least autonomous in the European Union (EU) and Organization for Economic Co-operation and Development (OECD) (Ladner, Keuffer and Bastianen, 2021). This chapter provides an overview and diagnosis of the system as it exists in 2024 whilst introducing some of the key developments which have contributed to the evolution of LGF in the past 50 years. It compiles a range of empirical evidence on the problems and proposed solutions, the majority of which have focused primarily on LDTP reform and the relationship between central and local government. It begins with an overview of local government’s expenditures before explaining how this is funded. It concludes by introducing some of the recent debates and controversies which frame the research questions.

2.1 Responsibilities and Philosophy

The 32 local authorities in Scotland have statutory responsibility for a range of essential services such as schools, housing, road and park maintenance, planning, refuse collection, and social work. These form the bulk of their *Mandatory Duties.* They also provide a range of other services and facilities to their communities such as libraries, swimming pools, and

[3] This masks reasonably large variations between authorities. This is explored in greater detail in the context of gearing under Section 2.4.2

economic development strategies[4], which are not legally required of them but which they have the power to provide. These are elective (the local authority is not required by law to provide them) and are often defined as *Permissive Powers.* Lastly, they also have a *Regulatory Power* to enforce national standards (such as trading and food safety), issue and monitor licenses (such as taxis, alcohol and gambling), and provide a host of other administrative services such as certification (of birth, deaths, and marriages for instance). These three categories are not mutually exclusive. For instance, many regulatory powers are themselves mandatory duties (such as maintaining an electoral register), whilst local authorities may also exercise their permissive powers on top of existing mandatory duties (such as improvements to the public realm).

The legal duties and responsibilities of local authorities are somewhat less straightforward than might be assumed (McConnell, 2004b, p. 15). In terms of mandatory duties, local authorities are required to perform many functions to a minimum service level but generally provide a level of service considerably higher than their legal requirement which reflects the preferences of their constituents. The roles and responsibilities of local government in Scotland and the wider UK are the result of a legislative patchwork which has developed over many decades and, unlike comparable European countries, lack constitutional enshrinement or definition. Unlike in England and Wales, Scottish local authorities also lack a 'power of general competence'. Such a power is designed to allow local authorities to 'do anything that individuals may generally do' without concern for specific statutory guidance (House of Commons Library, 2021, p. 6) and is intended to overcome the complexity of the legal framework in which local government operates. The recent Verity House Agreement (VHA), explored below, is predicated on the maxim of 'local by default, national by agreement' (Scottish Government and COSLA, 2023a, p. 4) but this lacks formal enshrinement.

It performs these functions in conjunction with a range of partners including Scottish and UK governments, other local authorities (such as regional transport partnerships and joint boards), and a broad network of local governance partners for which service delivery relies (McFadden, 1999; Midwinter and McGarvey, 2001; Pugh and Connolly, 2016). Whilst local authorities may pursue their own priorities (to an extent, see Mitchell, 2024 on the 'two dimensions' to central-local relations), much of their direction is aligned with national

[4] In Scotland there is a legal duty for local governments to initiate and engage in Community Planning Partnerships

policy. In Scotland, this alignment is guided by the National Performance Framework (NPF), launched in 2007 and now on its 4th iteration (NPF4). The NPF measures 81 national indicators across 11 national outcomes which are aligned with United Nations Sustainable Development Goals and designed to be a ‘strategic tool’ in guiding the direction of Scotland. Despite being a national framework, local authorities and partnership working are viewed as essential in achieving goals and outcomes, although there exists “differing views on the success of this process” between central and local government (Wallace, 2019, p. 45). Councils and stakeholders align with the NPF through Single Outcome Agreements (SOAs) and, in order to meet targets, must work within a ‘complex network’ of Community Planning Partnerships (CPPs) which consists of a range of public bodies (Pugh and Connolly, 2016, p. 318). This complexity creates challenges for balancing national co-ordination with localism. As Wallace (2019, p. 68) highlights, “the success of [the NPF] for vertical integration has been hampered by the number of competing initiatives which affect local services in unpredictable ways”.

To deliver commitments whilst balancing their budgets, councils must make decisions on how best to spend their revenues whilst still providing statutory duties. Since the 1980s, Value for Money (VFM) has been the public finance orthodoxy in the UK (Holtham and Stewart, 1981) and has largely steered how local authorities distribute their resources and plan the delivery of services. Scotland reframed VFM as ‘Best Value’ in 2003 and formalised it as a statutory duty for all public bodies in Scotland (Audit Scotland, 2023a). The range of services and facilities operated by local governments are monitored closely via performance indicators (PIs) which are delegated to managers and statutory officers (Audit Scotland, 2016, p. 14). Midwinter (1995, p. 42) identifies the three core concepts of VFM as:

(i) **Economy** – which refers to limitations of inputs
(ii) **Efficiency** – which maps the ratio of inputs to outputs; and
(iii) **Effectiveness** – the meeting of objectives

VFM and the associated *New Public Management* (NPM) reforms of the 20th century remain at the core of local government management principles (Martin, 2009b). This has been explicitly codified in the Scottish Public Finance Handbook manual, a key document which formalises many of these processes, and which has clear provenance in HM Treasury guidance.

The most recent development in centre-local relations and management in Scotland has been the Verity House Agreement (VHA) which set out a ‘new deal with local government’ in June 2023. The joint agreement is a commitment between Scottish and local governments to reset the relationship between the two in order meet three key priorities: tackling poverty, transforming the economy through a just transition to deliver net zero, and delivering sustainable person-centred public services (Scottish Government and COSLA, 2023a, p. 2). The agreement, in their own words, is an acknowledgement that “changes are required to our relationship - the way we work together, how we will approach our shared priorities, and how we engage with each other in a positive and proactive manner” (*ibid.*). It was agreed that the relationship should be based on mutual trust and respect, with a focus on “effective and responsible joint leadership” (*ibid.*). This was recognised as a broadly positive step for the relationship between Scottish and Local Government although subsequent announcements and policy positions, revisited throughout this thesis, have threatened the foundations of this relationship.

2.2 Expenditure

Local government expenditure is typically broken down into capital spending and ‘general revenue’ spending. In 2022-23, *gross* service expenditure reached just over £23 billion (Scottish Government, 2024, p. 2), but once service income is removed[5], it is possible to arrive at the expenditure figure which must be met by general funding or reserves – approximately £13 billion (*ibid.*). This general revenue figure, as opposed to gross service expenditure, is typically used when illustrating local authority spending. Of this figure, spending on education accounted for approximately half of all expenditure, whilst spending on social work, the second largest, accounted for more than the next six categories combined (*ibid.*). The largest element of local authority expenditure is the cost of employing its workforce which in total is over 260,000 people (SPICe, 2023, p. 5). Of expenditure met by general funding, the average spending *per head* was £2,480 although this masks relatively wide variations from council to council (Scottish Government, 2024, p. 15). In Edinburgh, this figure was slightly lower at £2,051 whereas in the Shetland Islands spending per head was nearly double the average at £4,690 (*ibid.*). This reflects a range of factors highlighted above from spending decisions to geographical challenges and their associated costs.

[5] Service income is often accounted separately as it directly funds specific services. This includes housing receipts, service charges and fees.

Capital expenditure, which accounts for long-term infrastructure projects such as the building of schools, roads, and community spaces, amounted to £3.7 billion in 2022-23 (Scottish Government, 2024). Capital expenditure is funded primarily through borrowing, the use of reserves, and capital grants from Scottish and UK Government (such as from the levelling-up fund) (*ibid.*). Funding through grant has been volatile over the course of the past decade, forcing local authorities to rely increasingly on borrowing and reserves to meet their capital spending. This has largely driven the 16% increase in cash terms since 2021/22 (Audit Scotland, 2024). Recently, new 'financial flexibility' powers have also allowed local authorities to utilise revenue funding to fund capital projects (Scottish Government, 2023a, p. 14) and to reduce and 'reschedule' their statutory repayment of debt (Scottish Government, 2022). The use of such 'financial flexibilities' is now increasingly widespread with 60% of councils taking advantage to "alleviate ongoing financial and funding pressures" (*ibid.*, p. 15). This only works one way, and councils are still prohibited from using capital funds to meet general expenditure. Whilst capital funding and expenditure are largely accounted separately to the majority of LGF and not the focus of this research, these developments are important to raise given the trade-offs and consequences of such decisions which blur the boundaries between capital and general revenues and expenditures. This is particularly true of the increased reliance on borrowing given the historically high cost of borrowing since 2022 – repayment of these loans may create future pressures in the medium to long term, threatening financial sustainability (Audit Scotland, 2024, p. 24)

As a proportion of the total Scottish Budget, local government has received a declining share of its total spending allocation over the last decade[6]. In real terms, central transfers have remained relatively flat since 2013; however, overall Scottish Government spending has increased 37% in the same period (Audit Scotland, 2024, p. 10). The majority of this increased expenditure has been directed to national policy foci such as health and social security. As a result, local government's outturn spend as a proportion of the Scottish budget has declined from 30% in 2013/14 to 23% in 2022/23 (*ibid.*). Whilst it has declined as a proportion of the Scottish budget, its real terms spending has remained broadly flat.

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[6] The Scottish Parliament Information Service use 2013/14 as a benchmark because of the nationalisation of police and fire services in April 2013. This allows for a degree of comparability in statistical data which would be difficult to achieve before this date.

2.3 Funding Landscape

Local government funds this expenditure in Scotland through a combination of centrally transferred grants and locally raised revenues. The funding of Scotland's 32 local authorities is budgeted on a yearly basis and involves extensive negotiation between the Scottish Government and COSLA between November and February each year. The yearly budgeting process and timetable has long attracted criticism (see Committee of Inquiry into Local Government Finance, 1976, p. 252), whilst the negotiation process has featured heavily in recent fiscal framework discussions between the Scottish government and COSLA (Scottish Government and COSLA, 2023b). The process, which is often politicised, has been criticized for failing to provide certainty, security, and predictability whilst raising tensions and distracting from the policy business of government (Kyle, 2022; William, 2022).

Funding is distributed to local authorities on a 'needs based' distribution formula which takes into account relevant population, deprivation, and geographic data for each local authority as well as councils' locally raised revenues (from the Council Tax and other incomes). In this sense the grant is effectively a "balancing item" which tops up and equalises locally raised revenues (Scottish Government, 2023a, p. 10). It is a complex process which is based on technical accounting formula to produce the overall General Revenue Grant. Each year, the settlement and process are reported in extensive detail in the Green Book of Scottish LGF, a comprehensive technical document which covers the methodology, data, and calculations that guide the distribution of funding. The highly complex process broadly entails two steps. In the first step, each council's share of the available funding is calculated based on a range of 151 service areas or 'budget lines' (primary school staffing, for instance, has its own budget line as it is considered a service area in terms of grant (*ibid.*, p. 5). The central mechanism for this calculation is a formula called Grant Aided Expenditure which takes into account the variations in the demands and costs of a given service between different areas when provided at a similar standard and degree of efficiency.

There are several other 'budget lines' which partially augment individual authority funding (such as the *Special Islands Needs Allowance*) although exploring them here risks complicating the process beyond the needs of this thesis (despite the recent simplification of the process which can be found in the 2023-24 Green Book). The most relevant to mention is the 'funding floor' –

> "A funding floor is used to provide protection against large year-on-year changes, whether that be due to year-on-year changes in the funding formulae or due to historical levels of support being higher than that received from the formula. Once all funding lines have been calculated, a lower limit is set on the percentage change that any authority can receive compared to the previous year. Those authorities above that limit pay into a pool which is then used to lift those below the limit up to the floor. As in recent years, the floor in 2023-24 was set at 0.25 per cent below the Scotland average."
>
> (Scottish Government, 2023c, p. 5)

This meant that in 2023-24, "councils were allowed, at worst, a 1.85% increase in their regular funding" (Scottish Government, 2023a, p. 8). In the event, 22 councils ended up paying into the pool so received less grant than they might have otherwise, whereas 10 councils gained from the pooling system and therefore received additional grant (*ibid.* p. 8).

The second step in the process involves subtracting the forecasted funding anticipated from Council Tax and Non-Domestic Rate Income (NDRI)[7], the two locally collected revenue streams. These are dependent on the size of the population, the value of the housing stock and the number of businesses. This varies from council to council, and can mean that some councils may get significantly more grant than others (Scottish Government, 2023a). Once subtracted, the difference is transferred to councils in weekly payments over the course of a year.

There are ongoing debates about the composition of revenue funding, and what is meant by different groups when they discuss changes (SPICe, 2023). The Scottish Government prefer to report in terms of 'total revenue settlement' which more often reflects an *increase* in funding, although it can be selective about whether this is a *cash*-terms or a *real*-terms increase (SPICe, 2023; SPICe, 2022b; SPICe, 2024). This settlement figure includes ring-fenced funding as well as 'in-year transfers' from other Scottish Government portfolios which, whilst not explicitly 'ring-fenced', are intended for a specific purpose (such as teachers' pay in 2023). By this metric, there was a 4.3% real-terms increase in total

[7] The figure for NDRI is based on the nationally-pooled and reallocated amount – the *income* – as opposed to the actual collected yield in the authority. This figure is based on the per capita re-allocation which strips out the variation in non-domestic tax bases between local authorities.

revenue allocation to local government between 2013 and 2023 (SPICe, 2023, p. 9). COSLA (2023b) does not dispute this but has argued that, whilst there has been a small real-terms increase in allocations from Scottish Government over the past 10 years, the inclusion of "heavily ring fenced" grants and in-year transfers distorts the true picture. They argue that their 'core' funding has remained the same since 2013 but that the portion which has come with conditions has increased, effectively resulting in a *cut* (COSLA, 2023b; SPICe, 2023).

Debates about what does and does not count as ring-fenced funding are also ongoing. Ring fencing was an early point of contention for the Labour-Liberal Democrat Governments in the 2000s and has re-emerged as a major issue in the years since the Concordat in 2007. Whilst some local government representatives argue that it is high as 75% (Scottish Parliament, 2024, p. 8), the Scottish Government maintains that the figure is in fact only 7% (Scottish Parliament, 2023, p. 26). One independent estimate from Audit Scotland suggests the figure is closer to 25% (Audit Scotland, 2024, p. 9). Clearly this debate is ongoing and complex, but there is general agreement that the figure has been climbing in recent years. For instance, the Scottish Parliament Information Centre's estimate, which combines Specific Resource Grants and transferred revenues from other portfolios (a "broader definition of ring-fencing"), suggests that it has increased fourfold since 2018/19 from 4% to 17.9% (SPICe, 2022b, p. 12).

At the core of the disagreement is the extent to which 'directed spend' (including in-year transfers) can be said to be ring fenced. Directed spend is funding which is not technically tied to a specific grant (and is therefore 'unhypothecated'), but which is implied to be used for a specific purpose. Although this funding has no *formal* terms and conditions attached to it, the imbalanced nature of the centre-local relationship is such that local government must often acquiesce and comply with whatever expectations are attached. Two recent examples are provided in education and childcare:

- On early learning and childcare (ELC), the Scottish government has provided a universal guarantee of 1140 hours since 2021, approximately double the previous level. The portion that is formally ring fenced is the *expansion* (the doubling) of ELC. However, without effectively guaranteeing the first 670 hours, then the ring-fenced portion would be unmet in the first place. This means that, for all intents and purposes, the equivalent of the *entire* ELC budget is 'directed spend' even though only half of that funding has specific (ring-fenced) conditions.

- On education, teacher numbers and pay were both contentious issues in 2023. To protect and expand teacher numbers, councils were transferred additional funding in 2023. These in-years transfers from other portfolios are technically included in weekly General Revenue Grant payments, yet there were still clearly expectations linked to the funds (SPICe, 2023)

On balance, the narrow definition employed by the Scottish Government is insufficient to explain the reality of budgetary control that central government has over local government revenues and expenditure based on these examples. Similarly, suggestions that any policy which falls into national goals or targets constitutes directed spend (which explains some of the higher estimates) is equally unhelpful. The independent assessments from the Accounts Commission and SPICe are likely more accurate but even these do not align. However, regardless of which source is used, all report an increase in central government influence.

2.3.1 Non-Domestic Rates

Non-Domestic Rates (NDR), sometimes called Business Rates, are one of the two streams of revenue collected by local government, along with the Council Tax. They have long contributed to local budgets, and their name reflects an older iteration of the taxation system in which funding was drawn from *Domestic* and *Non-Domestic* property value ‘rating’. The tax is levied against “all businesses and other organisations that use properties” (Scottish Government, 2023a, p. 12). However, unlike Council Tax, NDR is only *collected* by local authorities – their rate is *set* by the Scottish Government. Properties are valued by independent assessors[8] and this value is then multiplied by one of three national ‘poundages’ (uniform across all Scotland) depending on the rateable value of the property. As with Council Tax, there are various discounts and exemptions available.

Table 4 Non-Domestic Rates 2024/25

	Basic (<£51,000)	**Intermediate (£51,001 - £100,000)**	**Higher (>£100,000)**
Rate Poundage	49.8p	54.5p	55.9p

[8] This has historically happened every five years, but recent revaluations have often been delayed for six or even seven years. Moving forward, revaluations are anticipated to take place every 3 years as recommended in the Barclay Review (2017).

Non-Domestic Rates generate approx. 19% of an average council’s revenues, roughly the same income as Council Tax (Scottish Government, 2024, p. 23). Whilst local authorities collect this tax, they do not set the rate nor retain its yield – instead it is set and pooled nationally and reallocated on a per-capita basis (SPICe, 2022a, p. 3). Non-Domestic Rates were once in the full control of local government until they were ‘nationalised’ from 1990, removing the local rate-setting power and pooling their income nation-wide to be redistributed (See Section 6.3). Because of this, it is difficult to argue that it is a truly ‘local’ tax (SPICe, 2022a, p. 3).

2.3.2 The Council Tax

Having lost control of Non-Domestic Rates in April 1990, councils now only have full fiscal control and discretion over the Council Tax[9]. The Council Tax is a unique approach to property tax, not replicated anywhere else, which combines a personal element to make it a ‘hybrid’ tax. Properties are divided into eight bands from A (lowest) to H (highest) with each band representing a capital value range and the corresponding bill that is to be paid. Councils set the rate for Band D properties and the other bands are then weighted against this median with their respective band multipliers producing the final figure. An example is provided from the Renfrewshire local authority in Table 5 which has Scotland’s median Band D rate.

[9] Councils also raised income via fees and charges which are generally within their discretion, however these are calculated separately as with housing receipts

Table 5 Renfrewshire Council Tax charges 2023/24

Valuation Band	Council Tax Charge (£)	Water (£)	Sewerage (£)	Total (£)
A	957.45	154.98	179.88	1292.31
B	1117.02	180.81	209.86	1507.69
C	1276.60	206.64	239.84	1723.08
D	1436.17	232.47	269.82	1938.46
E	1886.97	284.13	329.78	2500.88
F	2333.78	335.79	389.74	3059.31
G	2812.50	387.45	449.70	3649.65
H	3518.62	464.94	539.64	4523.2

For the majority of the Council Tax's existence in Scotland, Band A properties paid 2/3 of a Band D property, with Band H properties paying 2x the Band D rate. This might otherwise be thought as Band H properties paying 3x as much as Band A properties, Since 2017, rate multipliers in Bands E-H were adjusted so that Band H properties now pay 2.45x Band D properties[10].

Table 6 Increase in Rate Multipliers from 2017

Band	Increase to Multiplier	New % Ratio to Band D
E	7.5%	131%
F	12.5%	163%
G	17.5%	196%
H	22.5%	245%

The Council Tax is a hybrid personal-property tax as it effectively assumes that two individuals reside in all households, with single adult discounts of 25% available where this not the case. Empty homes in Scotland used to previously qualify for a 50% discount,

[10] In England, Band H properties still pay a maximum of 2x the Band D property

with this still being the case in England and Wales, demonstrating that the tax is essentially a 50:50 split between a personal and property element. Surcharges have never been used to collect extra revenue where there are more than 2 adults in the household, however a range of other exemptions, reductions, and discounts are also available. Discounts of up to 100% are available to those on Universal Credit (and those few still on the old-style system of benefits) and with savings under £16,000 (see Table 7). This is provided through the national Council Tax Reduction scheme in Scotland and Wales, but no comparable scheme exists at scale in England. In Scotland, unoccupied and unfurnished properties are exempt for the first six months of ownership, but the second home discount of 50% that existed since 1993 has now been superseded by a discretionary power to apply a 100% *additional* levy on second homes and long-term unoccupied properties from 2023. This equates to a 200% Council Tax charge for these properties.

Table 7 Most Common Council Tax Reductions

Discount Category	Value
Single Person	25%
Full Time Student	25% if in a mixed households with non-students, full exemption if all-student
Disabled Persons	One band reduction
Severe Mental Impairment	25% discounts for mixed households, full exemption if living alone or with all other young care leavers
Care Givers and Receivers	Exemptions for either a person who now provides personal care to someone while staying in their home or a person who now receives personal care in another home
Young Care Leavers	25% discounts for mixed households, full exemption if living alone or with other young care leavers exclusively

Council Tax bills include water and waste charges which are collected on behalf of Scottish Water. The bill itself includes relevant breakdowns of these charges and, usually, how the Council Tax contributes to funding local services. These are issued to the household and there exists a hierarchy of liability to establish who is responsible for paying the tax. Bills are calculated on an annual basis however many choose to pay in 10 monthly instalments. This can be done in a number of ways – online, bank transfer, or over the phone.

This summation presents Council Tax as a relatively simple and uncontroversial tax at face value. However, in reality, no single element of local government finance has been more contentious than the local domestic tax policy portion, creating political turmoil and public unrest throughout much of the 20th century. This is also true of the Council Tax which, whilst lacking the same fervour, is deeply flawed and unpopular (Institute for Fiscal Studies, 2020; Commission on Local Tax Reform, 2015).

2.4 British Local Domestic Tax Policy

The current local domestic tax, Council Tax, bears many similarities to its predecessors - the Domestic Rates and the Poll Tax. These will be explored individually in greater depth in Chapters 5 and 6 respectively, however it is worthwhile briefly introducing their similarities and differences here to paint a picture of their (shared) features and flaws in Table 8 overleaf.

Table 8 Main Features of Local Domestic Tax Policy in Scotland

	Domestic Rates (1601 – 1989)	**Community Charge (1989-93)**	**Council Tax (1993 – present)**
Type	Property Tax	Head (Personal) Tax	Hybrid Property/Personal Tax
Base	Housing Stock	Individuals	Housing Stock
Calculation of Incidence	Classic (Rateable Value x Rate Poundage)	Capitation (fixed amount per individual)	Banded Classic
Basis of Valuation	Rental Value	N/A	Capital Value
Period of Revaluation	5 years (originally), discretionary from 1981	Bills linked to a live register of all adults and their place of residence	No legislative requirement, discretionary
Method of Collection	Bill issued to household; ‘occupier; liable although this was often collected through the landlord in many tenanted properties (Ridge and Smith, 1990)	Bill issued to all adults, individual liability	Bill issued to household; all eligible adults in property share responsibility but under a ‘hierarchy’ of liability
Revaluations	5 (Scotland) [11]	N/A	0
Reductions	Yes – up to 100%	Yes – up to 80% (minimum 20% contribution required)	Yes – up to 100%
Regressivity	Regressive	Flat rate (regressive)	Regressive - across incomes and space (Gibb, 2016)
Elasticity	Inelastic	Inelastic	Inelastic
Visibility	Highly visible	Highly visible	Highly visible

[11] 1961, 1966, 1971, 1978, and 1985. A general revaluation intended for 1981 was forgone in favour of a revaluation of non-domestic property only

2.4.1 Revaluations

Problems begin with the valuation and revaluation of properties. The Council Tax values domestic properties on the basis of their capital value; this differs from the Rates which used a somewhat more abstract method of valuation that estimated the rental value of a given property. This difference reflects the tenure distribution (and thus available data) of properties in their respective eras[12]. Whilst the valuation metric has changed, the same issues with revaluation have persisted. Numerous 'rates crises' in the 20th century were precipitated by large tax increases following property revaluations, with average bills increasing drastically overnight for ratepayers (Gallagher, Gibb and Mills, 2007, p. 4). The backlash to these increases made revaluations a taboo subject in Westminster and delayed subsequent reviews for fear of the fallout (Gibb and Christie, 2015b). Revaluations which were supposed to happen every five years were regularly postponed and, in the end, only five Scottish revaluations took place since 1950. This same issue now effects the Council Tax which has now gone over three decades without a revaluation, larger than any gap in the 20th century. Properties were initially valued based on their 1991/92 capital value but, as of 2024, no further domestic revaluations have taken place in Scotland (or England)[13]. This creates a number of complications and distortions:

> *Taxes do not accurately reflect the current value of the property.* Council Tax bills reflect an outdated valuation of the property which has not adjusted for changes in the property market since 1991. Analysis for the CLTR suggests that updating the valuation roll today would result in as many as 57% of properties in Scotland changing Council Tax band (Commission on Local Tax Reform, 2015, p. 32). This would result in thousands of properties moving either up (where the value has found to have increased because of improvements to the home or area) or down (where the value has found to have decreased) at least one band.

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[12] Layfield noted reservations about the declining availability of accurate rental market data as early as 1976 as homeownership rose and as rental prices increasingly deviated from the market rate (Commission of Inquiry into Local Government Finance, 1976, p. 258)

[13] Wales successfully completed a revaluation in 2003, although successive revaluations have been postponed with the next now anticipated in 2028

> *Retrospective valuation is required for new builds.* Assessors must assign a retrospective valuation band to any property built since 1991 based on its *assumed* value had it existed then. This is a complex process which involves increasingly removed assumptions and estimations with each passing year.
>
> *The greater the window between property valuation, the greater the change*. As housing stock changes (for instance with technological advancements in energy consumption and retention, or through deterioration) and the market evolves (reflecting changes in supply, demand, and regeneration) band changes will become more extreme as values become increasingly detached from their 1991 baselines. This makes revaluation "politically challenging" and increasingly so with each passing year (Commission on Local Tax Reform, 2015, p. 32).

The challenges of revaluation are not unique to Scotland or the UK, and indeed some countries have gone considerably longer than 30 years since their last revaluation[14]. Even in localities without general revaluations, the matter remains highly politicised and controversial. In California, Proposition 13 capped property tax increases and limited revaluation to the point of sale in 1978. It causes significant property market distortions (Ferreira, 2010) and has had several unintended consequences for the taxation system and centre-local relations (Sexton, Sheffrin and O'Sullivan, 1999). Despite this, it remains unwaveringly popular and has become a 'third rail' in state politics (Stempel, N.D.).

Unlike the Rates of the 20th century, Council Tax lacks the legislative requirement to revalue that was enshrined in the previous system[15]. Although these revaluations could be delayed and rescheduled (as was frequently the case) they at least acted as a yardstick by which to measure the *expected* length of time between updates. Such a yardstick could be used to apply legal pressure on government when this responsibility was clearly being avoided, without it there is no longer any statutory obligation. Nor is there the stipulation that properties must be revalued at sale such as in California, meaning that revaluations only occur at the owner's behest. As will be explored in Section 6.4.1, this was by design.

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[14] Such as Germany which uses values from 1964, although these are often indexed to inflation or another corrective metric, (Slack and Bird, 2014, p. 15)

[15] The statutory requirement to revalue every five years was removed in the Local Government, Planning and Land Act 1980

2.4.2 Economic Challenges

Problems are also to be found with the rate multipliers themselves. Whilst rate multipliers increase with bands making the tax more progressive, the changes in bills do not accurately reflect *differences* in property value. If understood as a tax on the consumption of housing services (the most common view[16]), the Council Tax is regressive in terms of property value (Commission on Local Tax Reform, 2015, p. 27). The regressivity of the Council Tax presents itself against incomes and across space as well (Gibb, 2016; Institute for Fiscal Studies, 2020). In terms of incomes, lower income households are more likely to pay a higher proportion of their income towards the tax, even after Council Tax Reduction (CTR), than higher income households (Commission on Local Tax Reform, 2015, p. 29). This also plays out geographically to create a second degree of regressivity, whereby properties and areas of the country with greater property values pay relatively less Council Tax. Whilst less pronounced in Scotland, the effective tax rate on residential property is just 0.2% in some wealthy London boroughs as compared to over 1% in the North East (Institute for Fiscal Studies, 2020, p. 49). This 'triple-threat' regressivity was by design, and this built-in regressivity forms one of the most common criticisms to the tax:

> "The present Council Tax is regressive. Tax on the highest value properties is exactly three times the tax on the very lowest value homes. But even when the Council Tax began, those highest value properties were worth around eight times, or more, than the lowest. This regressivity was built in from the start".
>
> (Commission on Local Tax Reform, 2015, p. 27)

This is largely the result of banding (Institute for Fiscal Studies, 2020), a unique system not replicated anywhere else but Ireland. Compressing all possible house prices into only eight bands means that bands either side of the cut off can receive significantly different bills based on a £1 difference in property value, whilst two properties in the same band pay the same bill even though they may differ significantly in house value[17]. Banding also creates an upper ceiling on the maximum contribution to the tax (in Scotland's case 2.45x

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[16] This depends on the individual's view on the purpose of property tax. For instance, if it is understood to be a tax on capital then it is effectively progressive as it constitutes a relatively higher share of income for wealthier individuals. Slack and Bird (2014, p. 17) explore this in greater depth.

[17] A property valued at £58,001 (Band E) will pay 31% more than a property worth £58,000 (Band D). By the same measure, a property at the top of Band E will pay the same despite being valued 37.5% higher at £80,000.

the Band D rate), reducing the progressivity of the tax as compared to the value of the property and essentially creating a flat tax for all properties above £212,000. Whilst the degree of progressivity is ultimately a political choice, the extent of regressivity has contributed to the perception that the Council Tax is broadly unfair (Commission on Local Tax Reform, 2015). This perception of fairness is particularly acute with local property taxes because of their visibility (Slack and Bird, 2014, p. 16). Relatedly, Slack and Bird (2014, p. 18) describe property tax as a 'presumptive tax' in that it employs sometimes crude and poorly understood assessments to determine the value of the property (since this is not necessarily done at sale). These factors combine to give the impression that the tax is being unfairly or arbitrarily *imposed* upon taxpayers (*ibid*.).

Economists also point to other challenges associated with the current Council Tax. Firstly, the tax base itself is "fundamentally inelastic" since it requires more houses to be built or a general revaluation to increase revenues (Gibb and Christie, 2015b, p. 4). This means that to increase the yield of the Council Tax, there is little option but to increase the tax rate. As this is a political decision it fails a key test of buoyancy (Local Government Association, 2022, p. 43)[18]. However, Slack and Bird (2014, p. 18) highlight that whilst there are economic arguments to support an elastic tax, there are clearly political economy advantages to the stability offered by an inelastic property tax such as the confidence offered during property market slumps or economic downturns. As will be shown, many of the 'failures' of property tax and its reform are not black and white, but rather political choices which can themselves produce 'successes' with regards to politics and power for certain stakeholders.

Secondly, attention has been paid to the "gearing effect" which arises when the balance of funding is so skewed towards the centre. A succinct overview is provided by a 2004 Select Committee and is worth quoting here in full:

> "27. The "gearing" effect refers to the ratio of two different percentages: the percentage change in local authority expenditure, and the percentage change in Council Tax required as a result. It is the product of the balance of funding and has been cited as one of the main causes of the large increase in Council Tax in 2003-04 and the subsequent increased opposition to Council Tax.

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[18] Buoyancy is the capacity of a tax's yield to rise and fall with economic activity and is often cited as an important principle

> 28. The gearing ratio determines the effect an authority's decision on its budget requirement on the percentage increase (or decrease) in its Council Tax bills. If a local authority financed all of its spending from Council Tax, a 1% increase in spending would require a 1% increase in Council Tax. In this case the gearing ratio is 1:1. But the typical local authority finances 25% of its spending from Council Tax and receives the remaining 75% of its income from central Government. Local authorities' grant from central government is determined before authorities set their budgets and is not affected by local spending decisions. If a local authority with a formula spending share of £100 million receives £75 million from central Government, it would need to raise £25 million in Council Tax. If it wished to increase its spending by 1% (£1 million), it would have to increase Council Tax receipts by £1million to £26 million - an increase of 4%. In this case the gearing ratio is 4:1 (the percentage increase in Council Tax is four times the percentage increase in spending) - approximately the national average level. The higher the percentage of an authority's income which comes from central government, the higher the gearing ratio and, in turn, the more sensitive Council Tax levels are to decisions to local spending decisions."
>
> (House of Commons, 2004, pp. 10-11)

The effect of any proposed change in the council budget being amplified by a factor of four for taxpayers heightens awareness of budgetary changes in the eyes of the public and local politicians alike. Whilst playing an increasingly marginal role in the funding of local services, this means that the 'Council Tax cog' has become increasingly political at the same time. The consequence of this has been a conservative approach to Council Tax rises, effectively constraining local government finances because of political cost/benefit calculations. This is particularly heightened in Scotland, where the ratio is closer to 5:1 and even 6:1 in some areas with low Council Tax revenues, such as Inverclyde[19].

Thirdly, the Council Tax creates distortions in the housing market, influencing the decisions of buyers (and renters) who factor in the cost of the Council Tax into their budgets (Institute for Fiscal Studies, 2020, p. 4). Further, the 25% single persons discount encourages single-person households to live in bigger properties, and for multi-person

[19] Local authorities with a higher proportion of properties in Bands A-C (such as Inverclyde) collect a lower yield

households to live in smaller properties, than they otherwise would (*ibid.*). Distortion is not necessarily the issue here, rather the *arbitrary* nature of the distortion, which promotes inefficient use of the housing stock and is based on out-of-date values.

Whilst creating economic distortions, the majority of these complaints are largely the result of political trade-offs which have evolved over time. During the reforms of 1987-89, for instance, accountability was one of the key metrics by which the system's suitability was judged (Department of the Environment, 1986), and changes which accentuated the effects of gearing were conscious choices. Indeed, many of these problems are not directly 'felt' by taxpayers and are primarily concerns for local and central government yet they have indirect consequences for the public. There are many different groups with a stake in the design of the Council Tax – the public, politicians, economists, civil servants - each with different definitions of an 'optimal' tax to consider. Trade-offs and unintended consequences are a key theme throughout the thesis and will be returned to in the discussion and conclusion.

2.4.3 The Balance of Funding

These specific issues must be understood in the broader context of the balance of funding between central and local government and the centre-local relationship. The balance of funding today is now significantly skewed towards central government, which provides over 70% of all local government's revenues (Audit Scotland, 2023b, p. 15). Only Council Tax remains under the full control of local government, yet it has also been weakened in the past 15 years through the Council Tax freeze. The Council Tax freeze operated from 2008/09 to 2016/17 and effectively 'froze' Council Tax rates in exchange for additional compensation from central government which amounted to over £3 billion in cash terms over nine years (Gibb and Christie, 2017, p. 287). The freeze, which returned again in 2023, effectively removed all revenue raising powers from councils. Unable to adjust their own revenue, local government is almost entirely reliant on central transfer and the conditions which come with it.

Before 1990, this balance was much closer to 50:50 when local government maintained control of NDR. Local government advocate a return to this ratio and indeed it is 'widely believed desirable' to move toward a *more balanced* balance of funding (Fender, 2005, p. 2). This would offset potential complications arising from imbalance, such as undue influence ('he who pays…'), a lack of transparency, and the consequences of gearing.

Indeed, many OECD countries rely on local taxes for over a third of their local revenues (Gibb and Christie, 2015a). However, there is no *de-facto* 'correct' balance of funding, nor is their universal support for returning business rates to local government – Scottish businesses themselves would rather a UBR (Scottish Government, 2020), whilst the Burt Review (2006) notably did *not* recommend the return of NDR to local government. Indeed, this balance is a fundamentally political choice and exists because of a series of previous historical choices. These political choices led Midwinter and Monaghan (1995) to suggest that we are "drifting to a new centralism in Layfield's terminology" in which there is decreased autonomy and flexibility for local government. Pugh and Connolly (2016, p. 318) note that this has contributed to "local governments representing an 'enabler' rather than a direct provider of local services". This will be explored in greater detail in Chapter 3.

2.4.4 Alternatives

A number of alternative local taxes have been suggested to either replace or supplement existing LDTP over the decades including local sales taxes, 'tourist' taxes, 'payroll' taxes, and duties on petrol, alcohol or tobacco[20]. At a minimum, whatever would replace the Council Tax must raise at least the equivalent revenues and must be feasible to administer and collect. For this reason, three tax bases - land, property, and income- are usually identified as being suitable candidates. Their popularities have waxed and waned over time and are inextricably linked to political choices about the function and purpose of local government finance. Three of the enduring alternatives are provided here for reference.

Local Income Tax (LIT)

> The reasoning behind a local income tax is the same as national income tax – it is closely correlated to ability to pay, buoyant, expands the tax base, is readily understood, and considered fair by many (Commission on Local Tax Reform, 2015). Moreover, such a tax would provide an incentive to local authorities to boost the economic productivity of their area (Institute for Fiscal Studies, 2019a). It is one of the oldest contenders for a local domestic tax and one which Layfield recommended as a potential supplementary tax in a localist system (Committee of

[20] Alternatives to *local* taxes have also been considered throughout history, such as the assignation of national tax revenues, but these are often rejected as being incompatible with the majority visions of local government. Layfield considered this option in the greatest depth, and is returned to in Chapter 5

Inquiry into Local Government Finance, 1976). Indeed, many countries around the world utilise LIT as their main or supplementary local tax (Gibb and Christie, 2015a, p. 30).

However, LIT has long had administrative and political challenges and is often rejected as a singular replacement tax in the UK (Committee of Inquiry into Local Government Finance, 1976; Commission on Local Tax Reform, 2015; Departmet of the Environment, 1981). The nature of the tax would mean that certain areas (especially densely populated or high income areas such as London) would collect considerably more tax, as much as 6x more, than lower performing areas (Institute for Fiscal Studies, 2019b, p. 56). This would require a robust equalisation formula which both protects the incentives for areas to seek growth whilst protecting those areas which would otherwise be left behind (*ibid.*, p. 15). The collection arrangements of the tax also raises questions. Many countries which use LIT rely on self-reporting, although this is considered a problematic solution and best avoided where possible (Slack and Bird, 2014, pp. 19-22). Doing so would shift the administrative burden onto Her Majesty's Revenue and Customs (HMRC) (where income tax collection arrangement already exists, but which does not have a system to differentiate between different localities) or necessitate the creation of new arrangements. Challenging enough on its own, this would be further complicated by the devolution arrangements in Scotland. Whilst possible, it would likely involve significant co-operation and/or costs (Commission on Local Tax Reform, 2015, p. 47).

Land Value Tax (LVT)

Land Value Tax, alongside LIT, was the main alternative tax considered by the 2015 Commission on Local Tax Reform. As opposed to property taxes which consider the value of the land and property together, LVT separates the two and focuses on the value of the land only. Such a tax suffers many of the same problems as a property tax (link to ability to pay, need for revaluations etc.) and enjoys many of the same benefits (hard to evade, predictable, economically sound). However, the CLTR suggested that an additional key benefit was that it would incentivise the development of unused land since tax is being paid on it regardless (Commission on Local Tax Reform, 2015, p. 37). Moreover, the quantity of land is fixed and even more inelastic than property as a tax base. Land cannot be created or destroyed, therefore making it hard to manipulate market demand through supply. “For these reasons,” as reported by the CLTR (*ibid.*), “a land value tax is favoured by many economists as being the tax that influences behaviour the least”. Yet at the same time, it was also found to be poorly understood by the public and difficult to assess in practise for the Commission. LVT remains a possible and promising option, but like LIT would require significant startup costs to operationalise and communicate to the public.

Proportional Property Tax

Proportional Property Tax (PPT) is the latest name for a fixed rate method of property taxation first given serious attention in Scotland by the Burt Review (2006). As with all alternatives, the specifics differ slightly, however the common feature is a fixed percentage levy on the value of all properties. In 2006 the Burt Review suggested that the figure could be approximately 1% a year whilst the latest iteration as advocated by Fairer Share suggests that 0.48% would suffice (Fairer Share, 2021). By their calculations, based on England only, 75% of households would pay less with an average saving of £556 (*ibid.*). Their suggestion would also involve transferring liability to the property owners (such as landlords where a property is tenanted), a move to annual and automated valuations, and payment deferral options (*ibid.*). This approach has come to be the favoured by both the Institute for Fiscal Studies (2020) and Institute for Public Policy Research (2021), whilst enjoying a degree of cross-party support (Fairer Share, 2021). Evidence is more limited in Scotland, and there remain unanswered questions about local autonomy and accountability if a flat rate applies to all properties nationally and liability is removed from large portions of the electorate.

Political support for these policies has waxed and waned throughout the 20th and 21st century, with LIT arguably having the longest (if perennial) support. A closer appraisal of the political economy challenges of reforms to local taxation is to be found in Section 3.2.1

2.5 Research Problem(s)

Problems as they have been presented in this chapter highlight the challenges associated with the coordination of public finances within a context of multi-level governance. How the collection, distribution, and spending of tax revenues across a multi-level polity should be designed has been an enduring focus for governments as they have sought to balance efficiency and fairness. At the same time, both concepts have come to mean different things to different groups and have also changed over time. Policymakers have had to navigate and respond to these changes which has produced a 'a lot of change and not much change at all'. Most contentious amongst these (non)changes is the matter of local domestic tax policy, which often acts as a microcosm of the challenges in the wider system of local government finance.

For the public, the central complaint is the unfairness of the Council Tax. The tax, levied against property, is regressive by design and largely unrelated to an individual's ability to pay. Similar complaints were made about those funding mechanisms which preceded it (the Poll Tax and the Domestic Rates) yet reform always creates winners and losers. For local authorities, the central-local relationship and increasingly asymmetric balance of funding has long been a key concern. Over the past five decades, a 'creeping centralisation' has reduced the autonomy of local authorities (Gallagher, Gibb and Mills, 2007), giving rise to the suggestion that they are 'mere agents of central government' rather than political institutions in their own right (Jones and Stewart, 2012, p. 347). For central government, there exists an uncomfortable tension in the need to control national economic strategy and outcomes and the need to 'let go' in order to govern effectively (Cairney, 2022; Gallagher, Gibb and Mills, 2007). Ministers have ultimate responsibility for the national budget and economic planning yet lease control over a large portion of it to local authorities to deliver local services, creating political and economic risk (*ibid.*). Across the board, there exists dissatisfaction with the current system of local government finance.

Many of these challenges can be summed up by that old adage - 'he who pays the piper calls the tune' (Layfield Committee Report, 1976, p. 67). Those who already pay the most towards Council Tax (but who would stand to pay more under any likely reforms) loudly oppose reform, creating a political challenge for governments. Similarly, central government, as the main benefactor of local government budgets, is increasingly concerned with how local government spends that money and is resistant to reforms which may jeopardise this degree of influence.

The problems with local government and its financing are indeed challenging, but perhaps the more important issue is why the challenges faced in 2025 are the same as the challenges of 1975. Despite countless papers, policy proposals, and indeed reforms, little progress has been made in tackling the problems identified many decades ago. Governments of all stripes, at a UK and Scottish level, have committed to reforming local government, with all promising greater local autonomy, enhanced financial tools, and stronger local democracy. This rhetoric of localism has not been matched with action, with most either failing to deliver, or in fact delivering the exact opposite – more centralisation (Mitchell, 2020).

3 The State of the Art

In response to the research problems, we might refer to three planks of literature upon which this thesis rests: intergovernmental relations (Rhodes, 1997; Marsh, Richards and Smith, 2003), intergovernmental *fiscal* relations (Oates, 1999; Slack and Bird, 2014), and historical institutionalism (Thelen, 1999; Pierson and Skocpol, 2002). The review begins with an exploration of the wider framework of multi-level governance (MLG) and the debates therein, particularly as they relate to the distribution of power between the different tiers and spheres (Section 3.1). As will be shown, this has consequences for the design of local government finance policy (Section 3.2), a discussion which will contrast ideal types with political realities. Moving beyond political economy reasons for change and continuity, the review concludes by critiquing the various strands of (historical) institutionalism as they relate to the structure-agency debate. In doing so, it introduces some key theories which are found underneath its conceptual umbrella and which are explored throughout the research (Section 3.3).

3.1 From Local Government to Local Governance?

The focus on local *governance* as opposed to local *government* emerged in response to the fragmentation of local services in the 1980s and 1990s (see Section 6.1) and has become paradigmatic (Stoker, 2019). It is best exemplified in the works of Rhodes (1992; 1997) and Stoker (2003; 2008) but has permeated many important contributions since such as those of Lowndes (2005; Lowndes and Pratchett, 2012). As compared to the term ‘government’ which has traditionally been associated with the formal institutions of state and their “monopoly of legitimate coercive power”, the term ‘governance’ has reflected “a shifting pattern in styles of governing” in which the “boundaries between and within [the] public and private sector have become blurred” (Stoker, 2019 [1998], p. 15). As a result, literature surrounding governance often focuses on policy networks and communities as key nodes of policy formation and diffusion (Bevir and Rhodes, 2004; Bevir, 2014; Marsh and Rhodes, 1992; Marsh and Smith, 2000). This has come hand in hand with a decentring of power towards local, regional, and transnational levels in recent decades. It is for this reason that governance literature has its roots in intergovernmental relations (Rhodes, 2007, p. 1244), resulting in the development of a wide and diverse multi-level governance literature (see Marks and Hooghe, 2004).

The majority of this literature rests on the acknowledgment of what has been described as a *Differentiated Polity Model* (DPM) in which there are multiple and overlapping spheres of influence (Marsh and Hall, 2007; Bevir and Rhodes, 2008). MLG literature posits that in differentiated polities, power has been dispersed from the traditional centre such that there now exists ‘decentred’ policymaking (Cairney, 2019, p. 135). This suggests that power and influence is now shared as a result of central government’s need for coordinative pragmatism:

> “Policymakers can only pay attention to a small proportion of their responsibilities and must delegate or share power with many other actors. Therefore, MLG also describes a governance problem or dilemma, in which central governments must balance pragmatism, to recognise the limits to their powers, with an electoral imperative to emphasise being in control.”
>
> (Cairney, 2019, p. 131)

This governance ‘problem’ is particularly true of the UK and Scotland. The traditional Westminster Model, which has a strong, centralised, hierarchical state with clear lines of accountability, has disaggregated, diffused, delegated, and devolved much of its power since the 1980s as it negotiates the demands of control and pragmatism (Bache and Flinders, 2004, p. 28).

According to proponents of the Differentiated Polity Model, the governance turn of the 1980s has been hegemonic for over three decades and remains a useful tool in understanding how local government organises and operates within a “wider world of sub-central government” (Stoker, 2011, p. 15). Yet, there is danger of *overstating* the extent to which this recalibrated organisation and operation has seriously challenged conventional spheres of influence. This is most effectively articulated by Wilson (2003):

> “[Despite] extensive interaction between actors at sub-national level, this should not be seen as a proxy for policy influence. The local political arena is characterised less by multi-level *governance* than by multi-level *dialogue*. Sub-national actors participate but they are rarely major players in shaping policy outcomes: the plurality which characterises sub-central governance does not reflect a pluralist power structure.”
>
> (Wilson, 2003, p. 317, italics added)

As far as local government finance is concerned, this critique appears to hold true in that 'networked governance' has had a limited effect on the design of fiscal policy. It is true that local governance models help us understand how resources are distributed (see Blackburn and Keating, 2012 for successes and failures) and services are delivered (Pugh and Connolly, 2016), but the same cannot be said for the design of fiscal policy which has remained tightly controlled by the centre. For this reason, when discussing LGF, there are limits to the explanations offered by multi-level governance and the Differentiated Polity Model which "fail to recognise the continued importance of the role of hierarchy, inequality, and a dominant political tradition in British politics" (Marsh, 2008, p. 251).

Instead, this research follows David Marsh in characterising the UK as reflecting an *Asymmetric Power Model* (APM) in which governance remains an important concept, but with hierarchy as the main mode of government. Whilst the centre is increasingly challenged, it remains most powerful, with a strong (if segmented) executive that enforces the dominant (British) political tradition. This suggests that instead of a pluralism of power, there is an *asymmetry* of power (Marsh, 2008, p. 255). In understanding how LGF reform has proceeded in the UK, this is a key weakness of MLG literature: central governments are willing to delegate a range of policy areas but are often hesitant to let go of financial control.

The APM offers an alternative perspective which foregrounds the British Political Tradition and Westminster Model – both of which had been challenged by earlier governance literature. Whilst acknowledging the shift to a more 'networked' form of governance, APM instead argues that DPM over-stresses the "diffuse nature of power in Britain and the extent to which the state has been hollowed out" (Marsh, Richards and Smith, 2003, p. 306). Rather than being hollowed out, the centre has simply been reconstituted. The shift from government to governance, which is typically posed as a conscious and rational choice in the literature, is instead recognised to be far more incremental and ad-hoc, involving processes of both decentralisation and recentralisation (*ibid.*).

Within this landscape, the centre has taken on the role of 'meta-governor' which presides over an "increasingly fragmented and incoherent governance landscape" (Marsh, Richards and Smith, 2024, p. 659). Yet within this fragmented context "the State, more often than not, retained a dominant, structural position within the evolving networked governance landscape and acted in a strategically selective manner" to ensure that the balance of power remained asymmetric (Marsh, Richards and Smith, 2024, p. 661). This state-centric approach suggests that the British Political Tradition remains a “powerful narrative, underpinned by a centralising dynamic” (*ibid.*, p. 659).

In the local government context, this analysis is supported by recent developments in the wake of the Verity House Agreement (VHA). Whilst there is clear evidence of multi-level dialogue in the negotiation of the agreement, the asymmetric power of the centre emerges quickly once practical policy decisions are required. The agreement, which sought “mutual trust and respect” between central and local government, set out terms in which the Scottish Government would “consult and collaborate as early as possible in all policy areas” (Scottish Government and COSLA, 2023a, p. 3). However, only four months after both parties signed the agreement, First Minister Humza Yousaf announced a Council Tax freeze for the following year. Despite suggesting that this decision had emerged from consultation, COSLA was quick to respond in stating that this decision had been made “completely without reference to local government” (COSLA, 2023c). This “unambiguous abnegation of the spirit and letter of the VHA” (Mitchell, 2024, p. 218) was widely criticized, yet whilst it was strongly opposed by local government, one by one individual councils fell into line with the decision taken at the centre such that all 32 councils eventually signed on. This unilateral decision demonstrates the asymmetric nature of power, a dynamic which the centre in Scotland appears to have inherited since devolution.

3.2 Intergovernmental Fiscal Relations

This asymmetric balance of power has consequences for the design of fiscal relations between the different tiers of government. If, as Layfield was to suggest, the system of local government is to be effective, then it must be matched with an appropriate financial system which complements its activities and responsibilities. In a centralist system, it should follow that the majority of funding should come from central government, with local government acting as delivery agents; in a localist system, local authorities should have the means to raise their own revenues and to spend them without undue influence from central government. Debates of this nature are a core theme in Intergovernmental Fiscal Relations (IFR) or ‘fiscal federalism’ (OECD, 2024). IFR is concerned with issues relating to tax and spending, grants and equalisation, and autonomy *across* different levels of government. Whilst there exists arguments for the benefits of a centralist system (Layfield still provides one of best, see Section 5.2.1), there has been strong theoretical and empirical support for the notion that public goods are provided most efficiently when provided at the lowest level possible (Dougherty, Harding and Reschovsky, 2019, p. 5). This argument, known as the subsidiarity principle, has become the ‘normative theory’ of fiscal federalism (Charbit, 2010, p. 5; Ponce-Rodríguez *et al.*, 2020).

The principles of fiscal subsidiarity gained mainstream traction from the work of Wallace Oates (1972) who developed Charles Tiebout’s *Pure Theory of Local Expenditures* (1956). Earlier arguments by the likes of Musgrave (1939) and Samuelson (1954) suggested that no market-type solution to the allocation of public goods and levels of expenditure existed, but Tiebout’s theory argued that “near-optimal provision and allocation of local public goods can result from consumers’ making locational choices between competing local jurisdictions offering different tax-service bundles” (Marsh and Kay, 2006, p. 13). This thought experiment come model suggests that citizens are able to reveal their preferences by ‘voting with their feet’ and choosing which locality best meets their demands and minimum needs. It also suggested that “policies involving inter-jurisdictional spillovers call for centralization or coordination of decentralized decision-making to enhance efficiency” (Greco, 2003, p. 1). This pure market-oriented approach to the provision of public goods was popular in the 1980s and the influences of Tiebout are clear in the 1986 *Paying for Local Government* Green Paper (Marsh and Kay, 2006, p. 14).

Oates borrows from this pure theory and extends the argument to incorporate the inevitability of negotiation between local and central government. His *Decentralization Theorem* “lays out a general normative framework for the assignment of functions to different levels of government and the appropriate fiscal instruments for carrying out these functions” (Oates, 1999, p. 1121). This theorem acknowledges that there will always need to be a dialogue between the centre and local in search of this policy and fiscal equilibrium but that, overall, citizen welfare will be optimised via the decentralised provision of public services, given that there is a diverse range of preferences and needs and that these are unlikely to be uniform at any one given time (Oates, 1972). This approach views local government as solving an allocative problem of a market-type nature. In doing so, it relies on the “golden rule for local tax financing” which is that it should be based in the ‘benefit principle’ of taxation: taxes paid should reflect benefits received from local public spending (Liberati, 2010, p. 367). For this reason, strategies which (more) directly mirror costs offer the most accurate reflections, such as benefit taxes (e.g. road tax), fees, and charges.

Despite their popularity, the foundations set out by the likes of Tiebout and Oates do not necessarily hold up in practise. Generally, these theories have been critiqued for their restrictiveness and the assumptions and definitions which they rest on, making it difficult to translate these ideal-type models into reality (Bewley, 1981; Koethenbuerger, 2008; Schakel, 2010; Oates, 2006). This is common of ‘pure theory’ approaches which are “shorn of all ‘real life’ complicating factors” (Dowding, John and Biggs, 1994, p. 767). Whilst Tiebout’s pure theory was more thought experiment than model, he himself recognised the limitations. For instance, consumer-voters have neither perfect information nor full mobility to respond to changes (Tiebout, 1956, p. 423). The development of computer modelling suggest that whilst Tiebout sorting (the term used to refer to revealed preferences in this literature) does hold up in the *aggregate*, it has been argued that this does not necessarily demonstrate a motivational link between tax-service packages and individual household movements (Dowding, John and Biggs, 1994, p. 784).

The benefit principle upon which these approaches depend also presents many theoretical and practical problems. Practically, there is the issue that is it hard to measure the benefits extracted from public goods which creates problems in the setting of rates themselves, making it difficult to use in designing ‘broad based taxes’ (Tresch, 2023, p. 182). At the same time, the benefits-received approach is often at odds with the ability to pay principle. This gets to the heart of the normative challenge of designing a ‘fair’ tax – both approaches present different shades of fair to different audiences.

Neither is support for (fiscal) decentralization monolithic; indeed, wider ‘dangers of decentralisation’ have also been raised which underscore some of the realities of such a model (Prud'homme, 1995; Wellisch, 2000). Noting the challenges of redistribution, stabilisation, and allocation which may arise from such an approach, Prud’homme (1995) suggests that decentralization can increase disparities, jeopardize stability, and undermine efficiency (contrary to classic fiscal federalism arguments). The decentralisation debate remains ongoing, and the associated principle of subsidiarity is by no means sacrosanct. Yet, decentralisation still remains the normative approach to IFR despite the challenges. Reflecting on its popularity in 1999, Oates suggested that ‘fiscal decentralisation is in vogue’, noting that “both industrialized and in the developing world, nations are turning to devolution to improve the performance of their public sectors” (Oates, 1999, p. 1120). Supporting this, Marks and Hooghe (2004, p. 15) found that no EU country had become *more* centralised since 1990, whilst over half decentralised some authority. Today, this trend of decentralisation generally continues, with Dougherty, Harding and Reschovsky

(2019, p. 4) demonstrating that there has been a gradual increase in sub-central government (SCG) tax autonomy since 1995. Whilst this is true of many EU and OECD countries, the UK notably lags behind on this indicator (Ladner, Keuffer and Bastianen, 2021).

3.2.1 Fiscal Federalism and Local Taxation

Insofar as decentralisation has become the normative (if not definitive) position, the debate is now often on the tax powers themselves and the matter of equalisation. Beginning with the latter, fiscal equivalence and equalisation remains a central challenge for fiscal federalism. The normative theory of fiscal federalism implies that local taxes should be the primary revenue source for sub-central governments and that grants should only be a supplementary means of finance. As Charbit (2010, p. 5) explains, the theorem offers two statements which hold but only under one primary assumption. Firstly, that the “decentralised provision of public goods and services is at least as efficient in consumption as central government provision in that efficiency in consumption requires diversity of preferences for public services to be matched with diversity in provision” (*ibid.*). Secondly, that “sub-national financing of decentralised goods and services by free choice of its tax rate provides the proper incentives to induce efficient spending choices by sub-national governments” (*ibid.*). However, this is dependent on the assumption that there are no externalities which may positively or negatively affect the equilibrium. In practise, however, such an assumption cannot hold. Public spending spillovers, tax exporting, and inter-locality tax competition for instance, may lead to the under or overprovision of public goods and services by local governments (*ibid.*). The purpose of intergovernmental transfers (grants) within this theorem is therefore to ‘internalise’ these externalities.

Arguments exist for a strong and unconditional system of grants to provide for a fair and efficient system (Boadway and Flatters, 1982). In contrast, others argue that governmental transfers are themselves ‘clumsy’ and have no place in fiscal federalism (Oakland, 1994). Either way, “local governments almost invariably depend in part, and sometimes very heavily, upon transfers from upper-level governments to finance the services for which they are responsible” (Bird, 1999, p. 152). Moreover, these transfers and grants are not only for the function of ‘internalising externalities’ - they are also used tactically to redistribute benefits and burdens, or may be used to instigate growth (Charbit, 2010). This is where the economic literature, in its search for efficiencies and equilibriums, often fails to fully address the problem of local government finance – it is as much a matter of politics as it is economics.

A focus on equalization is recurrent in Scottish and UK literature. Transfers and equalisations can allow for a ‘creeping centralization’ that is often overlooked by IFR literature that only extends to regional decentralisation. Concern over the reliance on central government transfers and the associated balance of funding is captured best by Smith and Squire (1987, p. 64): “those who pay the piper may feel they have a right to call the tune”. Analysis from Chapter 2 suggests that this is at least partially true, with transfers increasingly conditional or directed. This contributes to the blurring of lines of accountability, in which the public cannot clearly identify what services their local tax money is paying for, and who is therefore responsible. Contrary to the arguments of Seabright (1996), decentralisation, in its current form, has not necessarily improved accountability in Scotland. As Midwinter (1995, p. 39) highlighted, accountability has been a recurring criticism since the Layfield Report of 1976 and continues to this day - this was touched upon again by Gallagher, Gibb and Mills (2007) and more recently by Pugh and Connolly (2016).

The question of how the local government tax system should be designed then becomes a challenge of political economy. Navigating the demands of accountability, ability to pay, fiscal equivalence and the ‘governance problem’ is not a straightforward task. In the UK, reliance on the Council Tax alone has walked this line and sustained the system for over 30 years, yet clearly it is both unsatisfactory and sub-optimal. This is not to suggest that property taxes themselves are to be entirely abandoned. Summing up Ter-Minassian (1997), Bird (1999, p. 4) suggested that the conventional response to “who should tax, where, and what” (Musgrave, 1983) is relatively simple – the best candidates for sub-national taxes are taxes which are:

1. On relatively immobile bases
2. Where the base is relatively evenly distributed
3. Where yields are likely to be relatively stable

This reflects the problem identified above that, in practice, the benefit principle breaks down. For this reason, property taxes are viewed as an optimal local tax for providing a middle ground between ability to pay, accountability, and a degree of local autonomy, whilst reflecting a connection to the services consumed in a locality, albeit an imperfect one.

Slack and Bird (2014, p. 3) outline why property taxes are a sensible choice:

> "It is difficult to evade the tax because property is immovable: the tax base cannot shift location in response to the tax and it cannot be hidden. In addition, the property tax is considered to be efficient because it distorts the allocation of resources less than other taxes. Since changes in property taxes are, to a large extent, capitalized into property values their impact on economic behaviour is likely to be smaller than other taxes such as income and sales taxes"

They also promote local autonomy and accountability insofar as there is a connection (albeit lagged, and somewhat weak) between the services provided and property values. Property values tend to increase (or decrease) in line with the benefits enjoyed in a local area, for which taxpayers have themselves paid. This is something of a positive feedback loop as property values benefit from good services and amenities in a local area (the tax is *capitalised* into the value of the property), therefore a tax on property value make sense in this respect.

Whilst property taxes are generally considered to be good taxes, property tax reform "often proves to be difficult to carry out successfully" as they come with their own political economy challenges (Slack and Bird, 2014, p. 2). As outlined in Chapter 2, there are debates around the fairness of property taxation, and changes to its composition or incidence tend to provide a spread of winners and losers which are often vocal in their discontent (Slack and Bird, 2014). A core reason for this is because property taxes are highly visible taxes. In the case of many property taxes, including the Council Tax, the process for paying involves the taxpayer going out of their way to pay a not insignificant lump sum[21]. Combined with the broad liability for property taxes, this discomfort is felt by most households.

There is also the related liquidity issue encountered by the asset rich and cash poor. This argument was raised by the Conservative Party throughout the 1980s to criticise the Rates: how could an elderly widow with a big house but a small pension be expected to pay the burden associated with a large property? Extending this metaphor, as UK property taxes have tended to reflect property value as opposed to household size, how can this single pensioner be expected to pay the same as the 4-person flat share next-door? Such arguments have been deployed by reformers of all political persuasions to humanise the

[21] As opposed to more 'hidden taxes' like VAT

problems of property taxes, and they effectively tap into the *presumptive* nature of property taxes which can in turn cast them as largely arbitrary (Slack and Bird, 2014, p. 22). Clearly, the challenges of organising, delivering, and financing the activities of governments within a fragmented state are numerous and complex. This complexity intensifies the barriers to reform, which will tend to have a range of unintended consequences and trade-offs for policymakers. These challenges are long standing, and legacies of previous attempts cast a long shadow (Gibb and Christie, 2015b).

3.3 Historical Institutionalism

The review of the literature so far has underscored some of these clear, practical challenges to reform. Yet a review of the scholarship also suggested that, whilst the political economy challenges outlined in Section 3.2 clearly created barriers to reform, they alone were not sufficient to explain the shape or pace of change across the period in question. It is for this reason the review turns to *historical institutionalism* (HI) and its associated theories. This focus emerged from a range of considerations. Firstly, there is a distinctly historical character to the problem. Not only has local government finance reform been an enduring debate in British Politics, but many of its central features have also remained unchanged for decades at the least. Secondly, what major changes have occurred have tended to be sudden and path-breaking, often in times of crises. Yet, at the same time, it is possible to identify slow moving trends over the course of decades which might also suggest an incrementalism of sorts. Thirdly, individuals and ideas within this context also appear at least partially *bound* by history and contingent events. HI intersects with several related theories such as path dependence (Pierson, 1997), punctuated equilibrium (True, Jones and Baumgartner, 2007), and critical junctures (Capoccia and Kelemen, 2007), and presents itself as a useful guide to questions of change and continuity.

Historical institutionalism has emerged from a well-established body of institutionalist literature, yet their remains ongoing debate as to what constitutes an institution itself. Classic institutionalist literature is focused primarily on the administrative arrangements and formal-legal rules of ‘brick and mortar’ institutions (Rhodes, 2011). Immergut (1992, p. 85), developing an ‘older’ institutionalism, suggests that “political institutions can be thought of as the outermost frame for political conflicts [which] help to define the terms for these conflicts by shaping the practical meaning of political power and providing the basis for developing the rules of thumb of political strategy”. This sees institutions as boundaries, or parameters, within which political action occurs. Immergut continues with a somewhat deterministic reading by suggesting that "institutions explain many aspects of the life within them… but the interests, strategies, and resources of political actors cannot explain the institutions…" (*ibid.*). This reading presents institutional forces as a one-way street in which institutional forces are reified and external to the individual – capable of influencing but unable to be influenced in return.

March and Olsen (1989) would tend to disagree, viewing institutions as human products. They would suggest that institutions are "sedimented patterns of social and political interaction that are stabilized by a particular set of rules, norms and values and supported by specific codes, meanings and identities" (*ibid.*, p.22). Interpretations similar to this are to be found in Torfing (2009) and Thelen and Steinmo (1992), who point to the role of *informal* constraints in shaping human interaction and decision making within an institution. In this view, institutional forces are not external to individuals but rather embedded in their practise. The role of the individual is arguably as important as the institution in this interpretation in which "grassroots actors… make and remake institutions on a daily basis" (Lowndes, 2005, p. 298). This concept of reproduction has been used to explain how institutions both change (Lowndes, 2005) and stay the same (Campbell, 2010). Reproduction is a key concept in explaining both change and continuity for this reason (Torfing, 2009).

However, many would still foreground the importance of *formal* rules and legislation and would go as far as to label these as institutions themselves. Institutions as understood through this lens refers to the "humanly devised constraints that structure political, economic and social interaction" which "consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct) *and* formal rules (constitutions, laws, property rights)" (North, 1991, p. 97). This perspective acknowledges the formal constraints which have been devised to constrain human behaviour. Similarly, Peter Hall's "widely accepted definition" (Thelen, 1999, p. 2) includes "the formal rules, compliance procedures, and standard operating practises that structure the relationship between individuals in various units of polity and the economy" (Hall, 1986, p. 19). These 'formal' institutions structure organisational power and in turn shape the preferences of actors.

These ongoing debates raise questions about the extent to which institutions *control* versus *influence* actors, and what role actors play in controlling or influencing them in return. Hall (1986, p. 19) elaborates that institutions are not in themselves reified in the analysis of policymaking but can be better understood via the forces which shape individual decision making:

> “Institutional factors play two fundamental roles in this model. On the one hand, the organisation of policymaking affects the degree of power that any one set of actors has over the policy outcomes… on the other hand, organisational position also influences an actor’s definition of his own interests, by establishing his institutional responsibilities and relationship to other actors. In this way, organisation factors affect both the degree of pressure an actor can bring to bear on policy and the likely direction of that pressure”

Crucially, individuals are seen as neither completely rational decision makers nor, as some more critical readings suggest[22], ‘worker bees’ with no agency at all. Instead, they are seen to be caught between self-interest and institutional influence.

Yet the role of agency remains contested in institutionalism, with some suggesting that “early neo-institutional studies did not explicitly tackle the issue of agency,” (Battilina, 2006, p. 653). Indeed, these debates have spawned their own branches of institutionalism which focus on different elements. Such branches include rational choice (Riker, 1980; North, 1991), sociological (descended from the 'logic of appropriateness' set out by March and Olsen, 1989), and discursive institutionalisms (Schmidt, 2010). These represent quite radically different interpretations which can often foreground other influences in order explain change and continuity. However, in doing so they risk jeopardizing the purpose of this approach in the first place – to focus on the analytical value of institutions. Bell (2012, p. 714) for instance argues that an emerging approach to institutionalism, *discursive* institutionalism, “leaves institutions (and wider structures) almost as residuals – as merely meaning contexts – [leaving] too much out of the explanatory equation”. Rather, Bell (2012, p. 714) argues that “agents, ideas, and institutions all matter… the goal should not be to privilege certain of these elements theoretically, but to theorize and study their implications empirically – indeed their mutual shaping and dialectic interaction over time”. The institutionalism most capable of facilitating this is that of *historical institutionalism.*

Whilst there are conceptual overlaps between strands (see Thelen, 1999; Hall and Taylor, 1996), there are also irreconcilable differences between them. This has made suggestions

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[22] See Peters Pierre and King, 2005 and Battalina, 2006

and attempts to meld strands together (Katznelson and Weingast, 2005; Hall and Taylor, 1996) impossible as they have been shown to be ontologically inconsistent (Hay and Wincott, 1998; Marsh, Batters and Savigny, 2004). In HI, there is an "emphasis on how institutions emerge from and are embedded in concrete temporal processes." (*Ibid.,* p. 369). As Sanders (2008, p. 1) points out, the "more normative, reformist bent" of HI is distinct from its rational choice cousin via a focus on the "*construction, maintenance,* and *adaptation* of institutions" over time. Developing the new institutionalist view that "once formal and informal and informal arrangements were institutionalised in a modern polity, they assume a certain rigidity" (Peters, Pierre and King, 2005, p. 1280), HI sharpens this focus further on historically contingent events. Historical institutionalism's definition of institutions "includes both formal organisations and informal rules and procedures that structure conduct" (Thelen, 1999, p. 2). Such an approach therefore attempts to understand how political struggles are arbitrated by the institutional context in which they take place (see Steinmo and Thelen, 1992, p. 2). Based on the initial survey of the evidence and literature at the onset of the research, this thesis adopted this approach to understanding the problem of local government finance and its evolution.

It is worth highlighting, as Steinmo (2008, p. 118) does, that HI "is neither a particular theory nor a specific method." HI is best expressed as an approach, a lens, or a framework for understanding (*ibid.*). This can work in its favour or against it. As such a broad-church, it can be adapted and applied to a range of problems. But as such a loose framework, it can also be *maladapted* to the problem in question and utilised unconvincingly. Peters, Pierre and King (2005) suggest that the *explanatory* value of HI can be weak, and that it over-exaggerates institutional forces whilst under-appreciating the role of individual agency. Whilst it is true that institutions are partially formed in the struggle for political power, "the actors that participated in the battles over institutional design are not necessarily, and in fact only rarely, identical to those that participate in later policy conflicts" (Immergut, 1992, p. 85). They elaborate that "to understand the impact of institutions on contemporary policy conflicts one must analyse the incentives, opportunities and constraints that institutions provide to the current participants" (Immergut, 1992, p. 85). This approach does not *disconnect* actors from the decision-making process, rather it *connects them over time* to those decision taken previously.

More inflexible readings of HI tend to overemphasise heavy institutional constraints, the primacy of path dependency, and crisis as the key (or only) means of change, with actors essentially lacking agency all together (Bell, 2011, pp. 884-885). Bell (2012, p. 715) describes this as the ‘sticky’ version of HI, represented most famously by Paul Pierson (1997). It is also this version of historical institutionalism which is most frequently conjured in the literature as it offers the easiest simplification of an abstract framework. Whilst these concepts are useful tools within an HI approach, and are explored in greater depth below, they can often lead to more deterministic readings of institutional forces if overemphasised. This is true, for instance, in the critiques of Peters, Pierre and King (2005) who charge HI with failing to *explain change,* suggesting it instead simply *describes continuity*.

Such critiques ignore the fact that historical institutionalism is not monolithic. Instead, this research returns to the roots of HI, particularly as represented by Kathleen Thelen (Thelen and Steinmo, 1992; Thelen, 1999). For Thelen and Steinmo (1992, p. 3), “institutions constrain and refract politics but they are never the sole ‘cause’ of outcomes.” These earlier accounts have always emphasized institutional flexibility and individual agency in shaping institutions, and the role of ideas in shaping the interests and preferences of the actors involved in the shaping process (Bell, 2011; Bell, 2012). This is true of both crisis moments *and* ‘ongoing incremental change processes’ (Bell, 2012, p. 715). Such a reading allows for explanations of both change (sudden or incremental) and continuity, and for the appreciation of ideas and actors both.

3.3.1 Path Dependence

Path dependence is widely considered to be central to understanding historical institutionalism (Marsh, Batters and Savigny, 2004, p. 12), even in less ‘sticky’ interpretations (Bell, 2011, pp. 894-896). As most point out, path dependence finds its origins in technology. Paul David (1985) initially used the concept to understand why some sub-optimal outcomes had come to dominate the world of technology. His famous example is that of the QWERTY keyboard – a creation of necessity in the age of typewriters to prevent jams, why then has it prevailed in the modern world despite the shift to electronic PCs and the availability of more efficient layouts? David (1985, p. 333) argues that historical contingency helps explain:

> “The agents engaged in production and purchase decisions in today's keyboard market are not the prisoners of custom, conspiracy, or state control. But while they are, as we now say, perfectly "free to choose," their behaviour, nevertheless, is held

> fast in the grip of events long forgotten and shaped by circumstances in which neither they nor their interests figured."

In other words, actors are involuntarily constrained by chance, "temporally remote" events (*ibid.,* p. 332). He went on to identify three features which ensured the QWERTY layout would be 'locked in' which he describes as technical inter-relatedness (compatibility between software and hardware), economies of scale (reduced cost as uptake increases), and quasi-irreversibility of investment (the 'sunk cost' fallacy). Arthur (1994) suggests another key dimension is that, at the onset, multiple outcomes (equilibria) are possible, meaning that there is no predetermined outcome between a range of possible options. The eventual outcome itself may well prove to be inefficient in the long term, but once established, becomes 'locked-in' and increasingly difficult to change as costs of deviating from this given path increase (Arthur, 1994; 1998).

Levi (2009, p. 28) develops this notion of costs in the context of comparative politics,

> "Path dependence does not simply mean that 'history matters'. This is both true and trivial. Path dependence has to mean, if it is to mean anything, that once a country or region has started down a track, the costs of reversal are very high. There will be other choice points, but the entrenchments of certain institutional arrangements obstruct an easy reversal of the initial choice. Perhaps the better metaphor is a tree, rather than a path. From the same trunk, there are many different branches and smaller branches. Although it is possible to turn around or to clamber from one to the other – and essential if the chosen branch dies – the branch on which a climber begins is the one she tends to follow."

Explaining exactly how 'path dependent institutions persist in the absence of the forces responsible for their original production' (Mahoney, 2000, p. 505) has been the challenge of HI scholar since. Pierson (1993, 2000) offers the most widely quoted response and is perhaps the scholar most closely associated with the application of path dependence in political science. Pierson (2000, p. 263) characterises path dependence in the study of politics as possessing four features:

1. *Multiple equilibria*. Under a set of initial conditions conducive to increasing returns, a number of outcomes -perhaps a wide range- are generally possible.

2. *Contingency*. Relatively small events, if they occur at the right moment, can have large and enduring consequences.
3. *A critical role for timing and sequencing*. In increasing returns processes, when an event occurs may be crucial. Because earlier parts of a sequence matter much more than later parts, an event that happens "too late" may have no effect, although it might have been of great consequence if the timing had been different.
4. *Inertia*. Once an increasing returns process is established, positive feedback may lead to a single equilibrium. This equilibrium will in turn be resistant to change.

For Pierson, the key to providing analytical depth to the analysis of path dependence lies in the notion of increasing returns. Borrowed from the classic Polya urn model[23], increasing returns are self-reinforcing sequences of events in which “preceding steps in a particular direction induce further movements in the same direction” (Pierson, 2000, p. 252). It is broadly a three-stage model in which (1) a critical juncture triggers movement down a particular path, (2) the variable in question undergoes positive-feedback driven reproduction, (3) the path reaches equilibrium (Thelen, 2000, p. 103). Essentially, self-reinforcing loops become exponentially difficult to break.

Pierson (2000, pp. 257-262) identifies four interconnected aspects of political life which make for fertile ground for increasing returns. Firstly, the collective nature of political life makes it difficult to challenge persistent institutions and policies, as it requires the co-ordinated efforts of large groups of people, many with little to gain, to enact change. This is compounded by a ‘winner takes all’ mentality which is pervasive in politics which can stifle political action. Secondly, institutions and policies place clear legally binding constraints on political behaviour. Once grounded in law, policy arrangements act to ‘shape the incentives and resources of political actors” (*ibid.*, p. 259) such that “public policies [are] not only outputs of but important inputs into the political process” (Pierson, 1993, p. 595). Thirdly, these legal arrangements are backed up by the coercive, asymmetric power of the state. This can be exercised overtly, or in more subtle ways which can be entrenched over time leading to even greater power imbalances between different groups. Lastly, Pierson argues that political systems are more prone to path dependence than economic systems because they differ on some crucial elements. He suggests a lack of competition, increased complexity and ambiguity, short time horizons (of political actors),

[23] The experiment involves an urn filled with an even split of blue and red balls. Each time a ball is removed, two more balls of the same colour are placed back in it, thus increasingly the likelihood that the same colour of ball will be drawn again.

and an inherent status quo bias (in that policymakers seek to bind the actions of future actors) as contributing to political system being more disposed to increasing returns.

Whilst Pierson's arguments have offered much clarity to the use path dependence in political science and helped strengthen the vocabulary of historical institutionalists, they are often critiqued as being *overly* deterministic in their representation of structural and institutional forces. In doing so, they tend to focus on continuity as opposed to change (Streeck and Thelen, 2005, p. 6). These deterministic readings have led to reasonable criticisms. Levi (2009, p. 120) points to debates by Page (2006) about the extent to which lock in and increasing returns truly act in the way described by David and Arthur. Peters, Pierre and King (2005, p. 1277) argue that historical institutionalism and path-dependence fails to give "adequate attention either to political conflict, or to the dynamic relationship amongst institutions… and state structures" which in turn "limits the possibilities for a theoretical explanation of change". They go on to argue that the 'fundamental theoretical question' is "whether historical institutionalism can stand alone as an approach for understanding change and continuity in politics and policy" (*ibid.*). This critique, shared by Kay (2005) highlights some of the challenges often levelled at path dependence and historical institutionalism.

Whilst 'stickier' interpretations of HI and path dependence, borrowed from mathematics and technology, tend to emphasise the concept of increasing returns and 'lock-in', other explanations seek to explain institutional inertia (and change) in other ways. New institutionalism's "principal founders" (Knio, 2013, p. 15) March and Olsen have also described an 'institutional inertia' that protects the establishment from attempts to reform or challenge the status quo (1995, p. 42), yet place less emphasis on 'lock-in' effects and increasing returns, focusing instead on embedded routines and procedures. Rather than becoming 'locked in' these can actually adapt or evolve to meet social and economic conditions. Similarly, foundational HI scholars such as Thelen (1999; 2000) suggests that increasing returns arguments can overlook the role of key individuals and deft political leaders in shaping outcomes.

Table 9 Summary of Torfing's Suggestions for Path Dependence

Challenge	**Response**
1. To redefine the focus of PD arguments	Refocus on the limits and shortfalls of intentional reform, rather than the 'optimal outcome' itself. These limits become visible when 'windows of opportunity' arise and concrete plans for reform are either non-existent, or heavily adapted to fit the existing system. Why is this?
2. To combat the rigidity of path-dependence which does not allow for any evolution or adaptation	Conceptualise paths as being characterised by: **A) 'Layeredness' –** Inter- and intra-institutional conflict gives way to compromises that are then 'codified' into institutionalized policies which are layered on to the previous ones. **B) 'Iterability' - "**policy paths are characterized by a certain degree of iterability as goals, rules, norms and routinized actions facilitate the reproduction of particular social relations and policy outcomes are repeated, but in slightly different forms" (Torfing, 2009, p. 77)
3. To better explain how these paths are reproduced through action and interaction	Recognise that social and political actors rely upon the stability of rules, established practises, and norms to orientate themselves. Everyday interactions therefore solidify these paths.
4. To demonstrate how 'institutional inertia' is generated through ways other than increasing returns alone	Acknowledge that the sedimentation of informal constraints and power structures, too, make it "increasingly difficult to stray from the established path" (Torfing, 2009, p. 78)
5. To grasp the complex interaction between path shaping political strategies and their path dependent institutional context	Policy entrepreneurs **do** capitalise on policy windows, but these 'radical' efforts are themselves often developed in the context of path dependent institutions, where 'maintenance workers' prevent radical innovation.

Torfing (2009) has offered the most cogent summary of, and response to, these criticisms (Table 9). This critique acknowledges the value of path dependence (and indeed increasing returns) but moves beyond narrower conceptions of institutional continuity. In doing so, it opens the door to alternative explanations of change which incorporate both exogenous shocks and path dependence *and* endogenous, incremental change. The remainder of the literature review unpacks the implications of these challenges.

3.3.2 Junctures and Equilibria

Generally, modern approaches to HI argue that institutional and policy change comes in two forms:

1) A collection of small, incremental changes over time
2) Significant cleavages from the past emerging from relatively short critical junctures

In an attempt to provide a unifying theory of change and continuity, Punctuated Equilibrium Theory (PET) seeks to explain a simple observation: “political processes are often driven by a logic of stability and incrementalism, but occasionally they also produce large-scale departures form the past” (True, Jones and Baumgartner, 1999, p. 97). The theory rests on two core arguments – that institutions are essential in understanding politics and policy and that, within these institutions, individuals are characterised by bounded rationality in their decision making. This chapter has already explored the importance of institutions. That individuals are boundedly rational is common to many policy theories and suggests that there are limits to the attention spans, specialist knowledge, and processing capabilities of decision makers which prevents them from making ‘fully’ rational decisions that might otherwise produce optimal outcomes. Instead, policymakers only pay attention to a limited range of topics at any given time, must delegate certain tasks and decision-making processes, and must rely on ‘rules of thumb’ to guide their choices (Simon, 1990; Simon, 1972). As organisations and institutions are constituted by boundedly rational individuals, they too are limited by the same constraints and can only focus on certain issues at any given time.

To explore this, the theory then draws out two important elements of the policy process itself which are essential in understanding change: the definition of issues and the setting of agendas (True, Jones and Baumgartner, 1999). In short, “as issues are defined in public discourse in different ways, and as issues rise and fall in the public agenda, existing policies can be either reinforced or questioned” (True, Jones and Baumgartner, 2007, p. 156). When policies are reinforced (this does not need to happen directly but can be implicit, such as through the feedback processes outlined above) this makes it increasingly difficult to deliver radical change but may result in gradual adjustments over time (*ibid.*). When these issues are reframed and questioned in wider political debate (beyond the ‘policy sub-systems’ in which they are normally considered), major changes are possible. To understand issue definition, Jones and Baumgartner suggest that the ‘policy image’ is constantly framed and reframed in the discourse through “a mixture of empirical information and emotive appeals” (True, Jones and Baumgartner, 1999, p. 101). New 'images' can draw in new participants who will create new pressures; these pressures may lead to disequilibrium and force a critical juncture. Whilst PET is still beholden to 'stickier' interpretations of HI and path dependence (even in its acknowledgment of incremental change, see Thelen and Streeck, 2005) the theory still holds value, particularly in spotlighting agendas, alternatives, and bounded rationality. For this reason, it is a useful historical institutionalist bridge to the source literature on agenda setting and critical junctures.

John Kingdon (1984) offers perhaps the most well regarded interpretation of agenda setting in his study of American political institutions. His research asked, "*what makes people in and around government attend, at any given time, to some subjects and not to others?"* (Kingdon, 1984, p. 1). Kingdon Multiple Streams Framework (MSF) argued that two factors were important: participants and processes. Firstly, his research found that a range of participants, from politicians, bureaucrats, and staffers to academics, the media, and the wider public, all had a role in either the setting of agendas, or the provision of alternatives. These participants could be active or passive in the process, with key players acting as 'policy entrepreneurs' during windows of opportunity to advance their own interests (*ibid.*).

Secondly, he identified the political process as being characterised by three independent (but often overlapping) streams which run through policymaking systems – problems, policies, and politics.

1. The **problem** stream contains issues and conditions and is particularly concerned with how these come to be defined as problems in the eyes of policymakers. For Kingdon, this could happen via a range of mechanisms including the updating of performance indicators, the change in which would boost the issue; the emergence of 'focusing events' which reframed issues as problems, such as a disaster; and the process of feedback, such as from constituents, academics, or the media (Kingdon, 1984, pp. 90-103).

2. The second stream was labelled **policies** and reflects the existence of a wide range of ideas within the 'policy primeval soup' and their selection (Zahariadis, 1999, p. 76). Policies are generated and revised in relatively tight policy communities and, although many can float in the policy soup, only a few are ever given serious attention (*ibid.*). This usually happens after a period in which policy communities and the wider public have been 'softened up' (Kingdon, 1984, pp. 127-128) to be more amenable to a given idea.

3. The third stream, **politics**, consisted largely of three elements – legislative turnover, pressure groups, and the national mood (Zahariadis, 1999, p. 77). This stream was singled out as being particularly 'independent' and 'powerful' as "new agenda items become prominent and others are shelved until a more propitious time" in (and as a result of) this stream (Kingdon, 1984, p. 145). Particularly powerful within this stream were the combination of the national mood and turnover in government experts (Zahariadis, 1999, p. 77).

For issues to rise up the agenda, streams must couple together at critical moments. When this happens, 'policy windows' are opened up by "compelling problems or by events in the political stream" (Zahariadis, 1999, p. 77) in which 'policy entrepreneurs' push certain positions from the policy stream, often to advance their own cause or position. These policy entrepreneurs are viewed as essential agents in the process who must seize opportunities when they arise, otherwise the moment will pass without action. Streams are not typically viewed as coupling organically – the role of individuals in connecting problems to solutions, or national moods to policy problems, is key (Kingdon, 1984, pp. 172-175)

These moments of coupling are closely related to the concept of critical junctures. Critical junctures are "an essential building block of historical institutionalism" (Capoccia and Kelemen, 2007, p. 341). Capoccia (2016, pp. 91-92) offers an overview:

> "Critical junctures are defined as "relatively short periods of time during which there is a substantially heightened probability that agents' choices will affect the outcome of interest" (Capoccia and Kelemen 2007, 348). The reference to 'relatively short periods of time' captures the fact that the duration of the juncture must be brief relative to the duration of the path-dependent process that follows… The reference to 'substantially heightened probability' captures the increased causal importance of agency during the critical juncture when compared to the historical phases before and afterwards. This definition captures both the notion that, for a brief period, agents face a broader than normal range of feasible options and that their choices among these options are likely to have a significant impact on the path-dependent development of an institution."

The processes which may create critical junctures, and which in turn may lead to path breaking outcomes, have been theorized in different ways but all share a focus on contingency. For Mahoney (2000, p. 513), "contingency refers to the inability of theory to predict or explain, either deterministically or probabilistically, the occurrence of a specific outcome". In this sense, contingent events are those which were not expected to take place, although without suggesting that it is entirely random and without antecedent causes (*ibid.*). Contingent events can be relatively small and may reflect a single decision or may represent larger events like a disaster or crisis (*ibid.*, p. 514).

For Soifer (2012), critical junctures emerge once both permissive and productive conditions have been met. Permissive conditions are "those factors or conditions that *change the underlying context to increase the casual power of agency or contingency and thus the prospects for divergence*" (Soifer, 2012, p. 1574, emphasis original). This attempts to explain why a moment may emerge by suggesting that the previous mechanisms of reproduction have broken down or are otherwise undermined thus creating a new context for change. This is often, but not always, the result of a focusing event which concentrates attention. In the presence of these permissive conditions, productive conditions are the "*aspects of a critical juncture that shape the initial outcomes that diverge across cases*" (Soifer, 2012, p. 1575). These may otherwise be thought of as the independent variables which produce divergence within the critical juncture itself, such as the range of policies which emerged as leading contenders from the policy 'primeval soup,' but they may also be more general trends such as centralism or localism[24]. Alone they would not be capable of producing change without first the loosening of the structural constraints (the permissive condition).

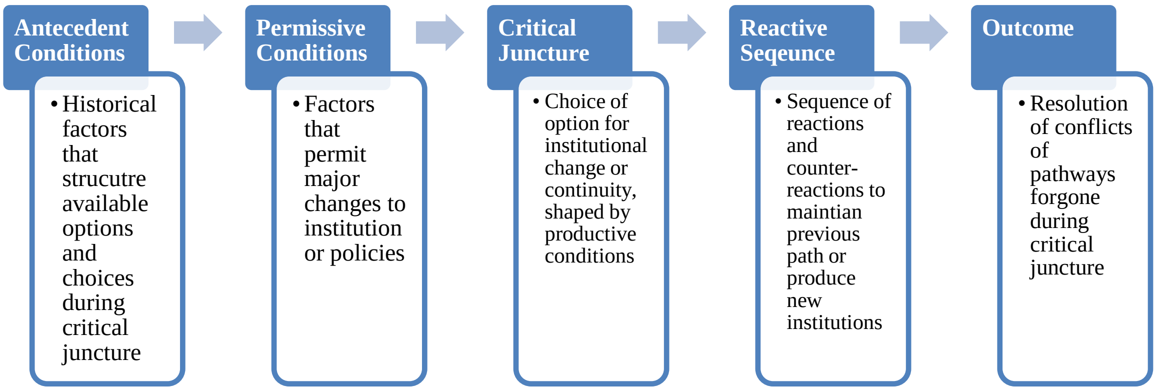

Figure 1 The Critical Juncture Process

[24] Or indeed broader paradigm shifts, such as neoliberalism or nationalism

Tempting though it may be to follow Soifer's typology, this suggests that critical junctures only occur when change actually happens. This is too restrictive, as those missed opportunities still represent critical junctures (Capoccia and Kelemen, 2007, p. 352) and provide important insights into the factors which influence the reform process. The basic concept that critical junctures are relatively short periods of time where significant institutional flux is *possible* has always been implicit in the literature (see Hogan and Doyle, 2007), yet the theorization of the process has often lost sight of the possibility that a *lack* of change is still an outcome in itself. A useful synthesis of Mahoney's and Soifer's conceptualisation of critical junctures is offered by Sorensen (2015, p. 934) in Figure 1, which this research has updated to reflect the possibility of continuity from a critical juncture. Whilst this provides a useful overview of the critical juncture *process*, both Thelen (1999, p. 388) and Pierson (2004, pp. 5-6) have bemoaned a lack of sophisticated tools for *analysis* of critical junctures themselves. This has led to attempts to clarify the definition and measurement of critical junctures which are explored in greater depth in Chapter 4.

3.3.3 Towards Research Questions

Combined, critical juncture and agenda setting theories offer many insights into processes of change within the punctuated equilibrium framework and show much potential when it comes to answering the research problems identified by this research. There has been remarkably little research which has combined these specific theories with a focus on local government, let alone local government financing.

Yet Thelen and Streek (2005, p. 6) challenge models of institutional continuity and change which rely on models of path dependence and punctuated equilibrium:

> "The notion of path dependence seems to encourage [some] scholars to think of change in one of two ways, either as very minor and more or less continuous (the more frequent type) or as very major but then abrupt and discontinuous (the much rarer type). This has yielded a strangely bifurcated literature that links path dependence as a concept to two completely different and in some ways diametrically opposed conceptions of change… Others, however, and often those who insist on a more precise definition of path dependence, tend toward a very different view of change, one that is closer to a strong version of a punctuated

> equilibrium model that draws a sharp distinction between the dynamics of institutional innovation on the one hand and of institutional reproduction on the other… By emphasizing the very different logic of contingent institutional choice and deterministic institutional reproduction, this definition implies and encourages a strong distinction between 'critical juncture' moments in which institutions are originally formed, and long periods of stasis characterized by institutional continuity."

They go on to suggest that there are in fact "severe limits to models of change that draw a sharp line between institutional stability and institutional change and that see all major changes as exogenously generated" (Thelen and Streak, 2005, p. 8). Instead, they argue "that equating incremental with adaptive and reproductive minor change, and major change with, mostly exogenous, disruption of continuity, makes excessively high demands on 'real' change to be recognized as such and tends to reduce most or all observable changes to adjustment for the purpose of stability" (*ibid.*). Given our earlier critique of historical institutionalism, such an argument is reasonable.

This debate is particularly useful in exploring the challenge raised in Chapter 1, that whilst some periods have been marked by great change, others have been characterised by continuity. At the same time, a 'creeping centralisation' has been identified which reflects a longer-term trend in local government finance (Powell, 2004, p. 38). These developments have produced a 'common schizophrenia' in the literature, in which commentators oscillate between seemingly incompatible narratives of stagnation and evolution (Lowndes, 2005). This therefore presents itself as an opportunity to engage with the theoretical literature in order to test the various claims of historical institutionalism and provide empirical weight to the debates therein.

To answer this and address the research problems outlined above, several research questions are intended to guide the research. The central research question this thesis asks is:

Why is the reform of local government finance so challenging, and why have problems persisted through decades of change?

We can extract a number of more specific research questions from this, which if answered will ensure the research provides a meaningful contribution to the problem and wider academic debate. They are as follows:

1. To what extent (if any) is local government and its financing evolving, given competing narratives that it is both radically different and yet fundamentally unchanged?
2. What barriers exist to the reform of local government finance, particularly as they relate to local domestic tax policy (LDTP)?
3. How have these barriers been overcome?

In answering these questions, the research seeks to contribute to wider debates on the historical institutionalist approach and the nature of path dependence as well. In Chapter 4, the research design is presented and justified in response to these research questions.

4 Research Design

This chapter explores the research's methodological approach. Section 4.1 outlines the foundations on which the research was designed. It first briefly introduces the philosophical position which influences the research at hand and informs the choice of frameworks and methods. It then goes on to clarify the reasoning and theory building approach of the project in Section 4.2. Section 4.3 unpacks historical institutionalism as the most appropriate strategy for inquiry, highlighting its relative strengths and weakness as it relates to the research design. The chapter then moves on to discuss the comparative case study approach used in the research, focusing on case study design and selection in Section 4.4. This is followed in Sections 4.5 and 4.6 with an overview of the data collection methods, elite interviews and archival research, and the data analysis techniques. It concludes in Section 4.7 with a recap of the research design process and its influences.

4.1 Ontology and Epistemology

Rather than begin by explaining the separate ontological and epistemological influences, it is easier to first state that this research takes the philosophical position of critical realism. Starting with this philosophical position allows for the unpacking of the research's theoretical leanings in a way that avoids many of the pitfalls associated with the often challenging matter of metaphysics (Hofweber, 2016; Crotty, 1998). Broadly, this research is of the belief that people, processes, and events are influenced by (often unseen) structures, systems and mechanisms. The extent of this influence varies but is never fully absent. That is not to say that agency is insignificant, only that it is often limited and always, to some degree or another, impacted by broader structures and context. At the same time, these structures are themselves influenced and interpreted by agents. In the words of Steinmo and Thelen (1992, p. 10),

> "[Political] actors [are] objects and… agents of history. The institutions… can shape and constrain political strategies in important ways, but they are themselves also the outcome (conscious or unintended) of deliberate political strategies, of political conflict, and of choice"

Ontologically, the research takes a realist stance in its belief that there is a real world that exists beyond our understanding of it. More specifically, it shares the transcendental view of Bhaskar (2008) that there exist three 'nested' domains: the real, the actual, and the empirical. The domain of the 'empirical' contains events as they are experienced by the individual. This domain exists within that of the 'actual' – the events as they *actually* occurred, irrespective of the individual experiencing them. Finally, like the Russian doll, the 'actual' is nested in the 'real'. This domain contains objects, structures and mechanisms. It is in this domain which we can determine causality, although it is the hardest to access. It is in discovering these casual mechanisms (through rich description) that we can explain tendencies, but these can only be accessed in glimpses and fragments (Levers, 2013, p. 2).

For Bhaskar (1979, p. 24), the essence of critical realism "lies in the movement at any one level from knowledge of manifest phenomena to knowledge of the structures that generate them". This essence is far more ontological than epistemological. Whilst critical realism is of the view that we cannot reduce statements *about* the world down to statements of *our knowledge* of the world, this is not to say that epistemology is irrelevant, only that it is preceded by ontology (Patomäki and Wight, 2000, p. 217). Epistemologically, the research is of the general view that we cannot extract purely truthful, objective knowledge from the world without an appreciation of the social structures and meaning that shape this knowledge. Whilst there is an objective reality out there, any extraction we attempt is influenced by the theoretical lens of the researcher (Cruickshank, 2003, p. 3). We might call this epistemology broadly subjectivist, but only in so much as it is defined by what it is not (Outhwaite, 1987, p. 20). Critical realism as a philosophical stance which is ontologically realist but with an open and permissive stance towards epistemology (Sayer, 2000, p. 32), is an appropriate foundation for the research. This understanding of being which acknowledges *both* the real and the observable (and the dialectical relationship between the two) is crucial to understanding local government finance reform in Scotland, and the wider process of policy reform.

4.2 On Logic and Reasoning

The simplest approach to reasoning and theory building suggests two polar opposites: deductive reasoning (developing formal propositions from *existing theory*) and inductive reasoning (developing concepts and theories from *the data*). Creswell and Plano Clark (2007, p. 23) present deductive research as working from the 'top-down', whilst inductive research works from the 'bottom-up'. Trochim (2006, p. 1) reconceptualises this as moving from the 'general to the specific', and the 'specific to the general', respectively. These approaches to reasoning are useful in a definitional sense, but this binary choice is often unsatisfactory. In contrast to this standard approach, Eastwood, Jalaludin and Kemp (2014, p. 3) suggest that realists distinguish between four modes of inference - deduction, induction, abduction and retroduction. Lawson (2004, p. 236) reduces this simply to the process of retroduction: “moving from a conception of some phenomenon of interest to a conception of a different kind of thing (power, mechanism) that could have generated the given phenomenon.” Sayer (2000, p. 11) explains this process of retroduction involves a rich description of the casual powers present (both the *key* influences and *the contextually relevant* influences) to reveal causal tendencies. Retroduction is an attractive concept but feels somewhat incomplete on its own.

It is not the approaches themselves which are unsatisfactory, but their presentation as binary, mutually exclusive and selectable. In truth, it is often not of the researchers choosing which approach their research is led by. As Loseke (2017, p. 79) puts it:

> “If a great deal is already known (found by reviewing the literature) then inductive logic would not make sense because it would mean ignoring what already is known … Conversely, if not much is known, then it is not possible to proceed deductively because conceptualisation and operationalisations would be based on nothing other than researchers’ biases and hunches.”

Loseke (2017) describes a far more fluid process which involves a constant back-and-forth. In the case of this research, the literature review presented much in the way of theory and concepts through which to explore policy, reform, and finance. It is through this process that propositions formed and became central to the research design. With that being said, the very frameworks which it unearthed (notably historical institutionalism) favour a far more inductive approach that allows the data to speak for itself (Harris, 2006). We must add in retroduction to this mix to operationalise the search for causal tendencies. This final blend, which reflects the more fluid relationship between the three, is the most accurate reflection of the process.

4.3 Approach

The review of empirical and theoretical literature did indeed bring out a number of themes, many of which combined to suggest a broad approach for the research. The first was that Scotland’s system of local government finance is replete with sub-optimal policies, and that this has been the case for at least five decades. Moreover, it has often *reaffirmed* these sub-optimal policies and pathways. The second theme was that in those 50 years, a gradual process of centralisation has slowly disempowered local authorities. This has generally served to curtail their financial autonomy, policy independence, and democratic accountability. A third theme was that efforts to reform reached critical mass at intervals which occurred approximately every 15 years, but that these ‘critical junctures’ rarely produced significant change. These critical junctures often emerged because of (unforeseen) shocks or the gradual accumulation of pressures. These three themes shared two common threads: firstly, they broadly related to the institutional arrangement and evolution of central and local government; secondly, they both had a distinctly historical character. Much like the themes which arose, the concepts and theories which could explain some of these themes shared an institutional and historical bent as well. Path dependency, critical junctures, and PET, for instance, all shared these traits to a greater or lesser degree. Understanding how all these overlapping but analytically different concepts connected was the role of historical institutionalism (HI), explored in Chapter 3.

For Steinmo (2008, p. 1) HI is “neither a particular theory nor a specific method” but is better understood as “an *approach*” to studying the political and social world. The approach utilises history as an analytical tool to explain real world outcomes, with a strong focus on the ways in which political outcomes and processes are shaped by institutions (*ibid.*: 8). HI provides focused analytical attention to order and stability versus innovation; the extent to which institutions shape processes, structures and pathways through imbedded rules and norms*;* and to the temporal significance of decision making (Lynch and Rhodes, 2016, p. 2). This approach combines the new institutionalist focus on rules, norms and patterns of working (March and Olsen, 2009) with a focus on the state, the asymmetries in the development of its institutions, and the importance of sequencing and timing (Schmidt, 2006). In a broad sense, “three features – substantive agendas; temporal arguments; and attention to contexts and configurations -- add up to a recognizable historical institutional approach that makes powerful contributions to our discipline’s understandings of government, politics, and public policies” (Pierson and Skocpol, 2002). These features run throughout the research at hand.

A deeper theoretical exploration of this approach is to be found in the literature review, although the adoption of this approach also has consequences for the research design which must be briefly clarified. Firstly, there is a requirement that the project makes explicit reference to the historical influence in both its analysis (Skocpol and Pierson, 2002, p. 9) but also in its methodology (Marsh, Batters and Savigny, 2004, p. 9). It also has significant weight in the balance of reasoning and theory building. As Harriss (2006, p. 4) highlights, historical institutionalism lends itself to a more inductive logic which draws detailed comparisons from a small number of historical cases, allowing for the development of middle range theory. It should also be noted that Marsh, Batters and Savigny (2004) make a strong case for the pairing of critical realism with the historical institutionalist approach. Although my own ontological viewpoint and research approach were formed separately, this does add credence to their feasibility as a pairing.

It is important to also highlight how the criticism of HI may affect the research design. As argued in Section 3.3, these criticisms are often based on a narrower reading of HI. Yet, addressing them here does not do any harm in clarifying the methodology. Peters, Pierre and King (2005, p. 1277) argue that HI, particularly explanations which involve path dependence, cannot effectively explain change. For instance, they suggest that HI presents a dichotomous relationship between political and policy development which masks widespread incremental political changes (*ibid.*). This structuralist reading which sees historical institutionalism as static and constraining is common, but this deterministic view simplifies the approach down to something which it is not (Marsh, Batters and Savigny, 2004, p. 8). In line with the philosophical position of this research, whilst structures often do exert a controlling influence, they are not unyielding under the right pressures (agency-based or extraneous). To assist in addressing these, the research adopts the recommendations of Torfing (2009), as summarised in Table 9 (p. 64), whilst maintaining a critical realist perspective to path dependence which views it as “a tendency, not an inevitability” (Marsh, Batters and Savigny, 2004, p. 13).

The critique of Peters, Pierre and King (2005) is in an attempt to lend more weight to the role of political conflict in institutional change. This shares the same ideational turn of Schmidt (2006; 2010) who has attempted to move towards a ‘discursive’ institutionalism which foregrounds agency and ideas. Yet in common with Bell (2012; 2010), this research takes the view that such a reading overlooks the institutional flexibility already identified by early historical institutionalists such as Thelen and Steinmo (1992). Indeed, in giving primacy to agents and ideas these interpretations often overlook the *institutions* in historical institutionalism. As such, the approach follows that of Bell (2012: p. 719) in holding agents, institutions, structures and ideas as “being mutually constitutive”. Such a reading moves away from the ‘stickier’ deployments of HI which offer little room for agency, overstate institutional constraints, and view change as emerging *purely* from crises or exogenous shocks. Whilst these are important features of historical institutionalism, they are prone to creating artificial dichotomies between exogenous and endogenous dynamics and change/continuity itself (*ibid.*, p. 717). As such, the research does not "privilege certain of these elements [agents, ideas and institutions] theoretically" but rather seeks to "theorize and study their interactions empirically" to understand "their mutually shaping or dialectical interactions over time" (Bell, 2012, p. 714).

Thelen and Steinmo (1992, p. 16) admonish that a 'critical inadequacy' of HI is the "tendency towards mechanical, static accounts that largely bracket the issues of change and sometimes laps inadvertently into institutional determinism". Such a tendency is akin to 'punctuated equilibrium' (Baumgartner and Jones, 1991; Krasner, 1984) which espouses an institutional inertia so strong that change *only* occurs at points of critical mass. Whilst this may help explain specific, sudden shifts, it cannot explain everyday institutional movement and large, slow movements in policy. For instance, this may help describe the punctuation of the Local Government Finance Act 1988[25], but it does not explain the gradual centralisation of local government finance more generally.

Alternative approaches which allow for institutional drift argue that there is a far more dynamic relationship between structure and agency and recognise that incremental processes can have potentially transformative effects (Streeck and Thelen, 2005). This research responds to these failings by blending the works of Thelen (as above, 2005, and with Steinmo, 1992) with Kingdon's (1995) Multiple Streams Framework (MSF) in order to highlight the importance of *pre*-decisional processes in shaping outcomes. This framework demonstrates how independent, dynamic streams are constantly in flux producing problems, solutions, and events which can interact to produce change or to shape future alternatives. In doing so it acknowledges that whilst continuity can be enduring and change can be sudden, there are constant processes of conflict and co-operation which frame and reframe agendas and alternatives, often producing institutional change as a result.

4.4 Case Studies

Whilst LGF is marked by dynamic change, the most contentious and interesting facet of LGF is the evolution of local domestic tax policy (LDTP) which has proven far more

[25] Or indeed the Abolition of Domestic Rates Act 1978 in Scotland's case

'sticky' and intractable. As such, the research takes a long view of changes in the wider landscape of local government finance policy, whilst also utilising a comparative case study strategy which focuses on critical junctures in the reform of local domestic tax policy (LDTP). Doing so allows broader trends to emerge over time, and for specific barriers and opportunities to be captured during pivotal reform efforts. The discussion on case studies is best started, as Yin (2003) does, with a brief introduction as to what case studies are and what they hope to achieve. According to Yin (2003: 1), they are "the preferred strategy when 'how' or 'why' questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context". They are typically divided into three categories: explanatory, exploratory, and descriptive. The case studies chosen for this research have been selected for their explanatory potential; however, it is not always useful to draw hard boundaries between these types of case studies, each case study incorporates an element of description and exploration as well (Yin, 1981, pp. 97-98).

The case study strategy was selected based on its suitability to the research problem, approach, and philosophical position. The research problem presented a system of local government finance which appeared to be stagnant, save for brief and infrequent windows marked by heightened contingency where the potential for reform was a real possibility. These windows, or 'critical junctures', are of particular importance to understanding the reform process. Critical junctures are defined as "relatively short periods of time during which there is a substantially heightened probability that agents' choices will affect the outcome of interest" (Capoccia and Kelemen, 2007, p. 348). Utilising a case study approach to explore "what happened in the context of *what could have happened"* (Berlin, 1974, p. 76) is key to understanding why certain pathways delivered significant reform whilst others failed to deliver change (although see Section 9.3 for a more in depth discussion of 'success' and 'failure'). Utilising critical junctures as case studies brings into focus the extent to which institutional forces, insomuch as they dictate the range of options available and influence the decision making of the actor(s), structure institutional pathways.

There is debate as to whether the goal of case study research is generalisability. For Gerring (2004), generalisability is central to the very definition of case study research. He argues that the intensive study of a case is done with the intent of applying these observations to a broad range of cases. By contrast, Flyvbjerg (2006, p. 220) highlights that many definitions of case studies suggest the method is best utilised in an exploratory capacity and should not be used beyond hypothesis testing, a view he rejects. The view of this research is that the value lies somewhere in the middle of these two explanations. The ontological and epistemological implications of a critical realist position are such that we can only gain glimpses of the real through research of the empirical and understanding semi-predictable patterns. These causal ‘demi-regularities’ (Lawson, 1997) are not generalisable as such, but can explain to an extent *how* controlling mechanisms are bringing about processes (Bazeley, 2020). This is not to say that a clearer understanding of causal tendencies is not useful to policymakers. Quite the opposite – understanding causal mechanisms is the first step in identifying potentially ‘successful’ interventions. By weakening structural forces, critical junctures bring them in to focus.

There is a rich tradition of combining historical institutionalism and critical junctures as case studies. Lipset and Rokkan (1967) develop the concept of political cleavage and frozen party systems through an analysis of critical junctures in European history, typifying path dependence (Pierson, 2000). Collier and Collier (2002 [1991]) employ a comparative case study approach (albeit with a larger *N* number) to explore path dependence and critical junctures in their foundational *Shaping the Political Arena*. Such an approach is useful when the phenomenon in question is not easily distinguished from its temporal context or rather for the case of this research - when the complex relationship between the phenomenon and temporal context itself is the focus (see Yin, 1981).

Local government finance, too, is no stranger to the case study approach. Large volumes of theoretical work have employed the Poll Tax as a single case study through which to explore policy failure such as is the case with King and Crewe (2013), Butler, Adonis and Travers (1994) and Smith (1991a). Rather than explore the policy failings of one case in depth, this research recognises more value in exploring multiple case studies to comment with greater confidence on the causal tendencies behind local government finance reform. This multiple case design was chosen because there was a need to compare between ‘successful’ and ‘unsuccessful’ critical junctures[26] in order to identify the variables which lead to policy movement, and the causal tendencies which influence them. Through a tailored approach to data collection, this approach also seeks to shed light on the slower moving processes of institutional reproduction (see Section 4.5).

[26] These are often referred to as ‘positive’ and ‘negative’ cases in the literature (See Capoccia, 2016 and Soifer, 2012). A positive case is one in which the ‘outcome of interest’ is affected, whereas a negative case describes instances where change was possible but ultimately not adopted in favour of the status quo. This is referred to as re-equilibration (Capoccia, 2007). Note that this does not take a value-judgment of the outcome itself, just that it produces one.

The task of capturing 50 years of change and continuity in local taxation, this in itself only a snapshot of a much longer and richer history, is not an easy one. Nor is it an untouched research area, with much energy and discussion having already been dedicated to the problem. To rise to these challenges the research necessitated a novel approach to case studies. A combination of factors therefore influenced the decision: the relatively untapped empirical angle of the Council Tax's design and implementation, often overshadowed by its predecessor; the need to capture not just a moment in time, but the bigger picture of local taxation reform and its barriers; and (therefore) an approach which considers the paths not taken, in order to draw lessons from a policy area in which substantial reform is few and far between. Given the historical institutionalist approach adopted by this research and the need to operationalise such an approach, designing case studies around multiple critical junctures in the reform of local taxation emerged as a powerful device for capturing both change and continuity over time.

4.4.1 Case Study Design

Since the critical junctures in local government finance are central to the research question, it is logical to use these 'events' as the case studies. Critical junctures as defined by Capoccia and Keleman (2007: p. 343) help us narrow down the possible range of case studies:

> "…critical junctures are characterized by a situation in which the structural (that is, economic, cultural, ideological, organizational) influences on political action are *significantly relaxed* for a *relatively short period*, with two main consequences: the range of plausible choices open to powerful political actors expands substantially and the consequences of their decisions for the outcome of interest are potentially much more momentous."

This is broadly in line with other definitions (see Katznelson, 2003). Critical junctures have been critiqued for focusing on the criticality of the juncture, in lieu of providing strategies for identifying the juncture in the first place (Soifer, 2012). This can make their real-world application difficult, especially in identifying new or unexplored critical junctures. There is a danger here of applying an 'I'll know it when I see it' logic to the case studies. To combat this, the research proposes a revised framework for identifying a critical juncture, as shown in Table 10.

Table 10 Revised Critical Juncture Framework

Antecedent Unsettlement (and/or)		Relatively Short Timeframe	Range of Potential Alternatives	Enhanced Agency of Decision Makers
Mounting Pressures	**Shock/Cleavage**			
Mounting pressures from economy, society and politics	A major internal or external shock that brings the mounting pressures into sharp focus	A short window, relative to the overall stability and endurance of the system in question	A range of potential options and paths, beyond the standard offerings, becomes available, with each becoming a viable contender	Decision makers have enhanced agency, increased possibility that their choices shape the processes and institutions

Borrowing inspiration from Soifer (2012) and Capoccia and Kelemen (2007), this framework is a revision of that proposed by Lipset and Rokkan (1967) and Collier and Munck (2017). Their approach is mostly sound but takes the view that a critical juncture can *only* be considered as such if there is an *enduring change or legacy*. This view is too restrictive. It seems counterintuitive to suggest something is a juncture if it *only* has one potential outcome (change). A juncture implies (at least) two possible paths – continuity *and* change. It follows Soifer's (2012) lead in defining a critical juncture by the conditions which allow and produce change in these moments, rather than their effects. Furthermore, 'unsettlement' has been proposed as a split category which allows space for both sudden cleavages *or* incremental pressure to produce a critical juncture. This is designed to address some of the challenges to historical institutional and path dependency set out already.

4.4.2 Case Study Selection

Case studies were selected from a range of possible periods of interest that emerged from the literature. Table 11 applies the framework to six such periods of interests which may constitute critical junctures. Of these six, four presented as viable critical junctures which could be investigated throughout the thesis. Three critical junctures were chosen as being the best approach to addressing the research questions, with 1985-1988 being excluded on this occasion (see Section 4.4.3). The two periods which represented poor fits for the critical juncture framework are outlined briefly here as this supports the reasoning for their rejection as case studies.

The first to be rejected (1999-2004) reflected a relatively broad window of sporadic attention encompassing devolution and the first term of the Scottish parliament. The first session in the newly (re-)convened Scottish Parliament was on local government, a reflection of its importance at the time, yet there lacked the sustained pressure or necessary shock in the remainder of the term to create the 'permissive conditions' (Soifer, 2012) necessary to open a critical juncture. A review of the literature suggests that legislative change was not a priority, nor was there a concerted effort to reform. This first term could have resulted in considerable path breaking, but what followed was mostly an evolution of the Scottish Office that had come before (Mitchell, 2019; McConnell, 2006; McGarvey, 2012).

Table 11 Case Study Selection Criteria

	Antecedent Unsettlement		Relatively Short Timeframe	Range of Potential Alternatives	Enhanced Agency
	Mounting pressure(s)	Shock/Cleavage			
1975-1977	x	x	x	x	x
1985-1988	x	x	x	x	x
1989-1991	x	x	x	x	x
1999-2004					x
2006-2009	x	x			
2014-2016	x		x	x	x

In somewhat different circumstances, 2006-2009 marked a period of heightened focus on local government and its financing. The Local Government Finance Review Committee Report (The Burt Report) was the first of its kind for the newly devolved government. A similar report (The Lyons Report) was published in England. The Scottish National Party had campaigned on a platform of abolishing the Council Tax in advance of the 2007 Scottish Parliament elections and made significant gains. The 2007-2008 financial crisis represented a shock to the system, creating a potential space for great policy change. Whilst a possibility, the case was ultimately rejected for its looser timeframe, lack of serious potential alternatives, and the notable lack of enthusiasm from key decision makers to pursue a reform agenda[27] (when compared to the stronger examples in the set). Whilst a poorer fit for this research, future research may find value in exploring this era in greater depth.

[27] Whilst the Burt Report's suggestions have been praised since, then First Minister Jack McConnell swiftly rejected the proposals at the time effectively taking all of the steam out of reform

4.4.2.1 Case Study 1: 1975-77 (The Layfield Committee, its report, and the reception to its proposals)

By the middle of the 1970s, local authority spending had been increasing for over a decade, at one point exceeding the growth rate of the economy as a whole (Travers and Esposito, 2003, p. 42). A sudden and dramatic increase in the cost of living seen the rate of inflation reach an all-time high of 27% (Tomlinson, 2014, p. 752). The average increase for rate payers in Scotland was 28% but huge variations resulted in some bills increasing by 250% (Committee of Inquiry into Local Government Finance, 1976, p. 6). Combined with reorganisation, these factors created a Rates crisis in 1974/75 (Travers, 1986, p. 54). Against this backdrop, Frank Layfield Q.C. was tasked with leading the *Committee of Inquiry into Local Government Finance.* The Commission reported in 1976 and called for a decision to be made which placed key elements of responsibility firmly with either local authorities or central government, and for adopting a financial system which fully recognised this. The Commission proposed a range of alternatives to achieve either outcome. This call for a fundamental overhaul was as direct as it was radical, but its recommendations were largely ignored with the government of the time choosing to continue down the middle way despite Layfield's stark warnings.

The period of 1975 to 1977 was chosen to allow for a full appreciation of the factors which contributed to the critical juncture. Whilst the crisis began the year previously, mounting pressure and a renewed focus on LGF only began to crystalise after the February 1974 UK general election. The Layfield Committee reported in 1976, with departmental and ministerial responses beginning to filter through by the end of the year as working groups began forming policy. The shape of these policy responses was broadly carved out by the end of the following year, with only minor details needing fine-tuned after this point. The end of 1977 presents itself as a reasonable upper boundary to the critical juncture in order to understand how the momentum for reform ultimately diffused.

4.4.2.2 Case Study 2: 1989-91 (The Poll Tax, its collapse, and the introduction of the Council Tax)

No single reform to local government finance before or since the Poll Tax has so fundamentally changed the system, yet within four years it was scrapped entirely. The Poll Tax’s formulation and implementation are undoubtedly of importance in understanding how local government finance policy can be shaped, but given its rapid and dramatic failure, it's independent value to this research is limited (see below). In applying the critical juncture framework to this specific reform, we can see that it in fact represents a weaker example of a critical juncture in purely analytical terms: as Capoccia and Kelemen (2007, p. 348) highlight, the "juncture must be brief *relative to the duration of the path dependent process it instigates"*. Looking at the Poll Tax specifically (as opposed to the wider package of reforms brought in alongside it), it is clearly a policy which emerged in a brief window, but the result was a policy which also disappeared as quickly. However, the reform, and those factors which ultimately led to the introduction of the Abolition of Domestic Rates (Scotland) Act (1987) Local Government Finance Act (1988), still warrant attention and this challenge is explored in the following section.

It is in the Poll Tax's demise, not its inception, that there is the most analytical value to this research. Returning to our definition of a critical juncture as a relatively short period of time in which the range of options available to decision makers is increased and their agency has heightened significance, it is in the *aftermath* of its collapse that the 'most valuable' critical juncture opened. The events which had led to the 1987 and 1988 Acts, and the eventual reforms themselves, provided antecedent unsettlement with the resignation of Margaret Thatcher producing a tipping point. In the period that followed, there was great instability and a wide range of options open to a new administration. The period 1989-1991 covers the introduction and collapse of the Poll Tax, and the emergence of the Council Tax as a replacement. The Council Tax, although perhaps more of a course correction than a serious departure from the historic norm, is the only 'positive' case of a critical juncture which has an 'enduring legacy' in the words of Collier and Munck (2017, p. 2).

4.4.2.3 Case Study 3: 2014-16 (The Commission on Local Tax Reform, its report, and reception)

The third and final case study is a critical juncture, like the first, which failed to produce meaningful change – a 'near miss' (Capoccia and Kelemen, 2007, p. 352). By 2014, the Council Tax freeze in Scotland had been in operation for seven years, essentially removing control of all local revenue raising power from local authorities. Spiralling costs, mounting pressure from local authorities, and a manifesto commitment to replace Council Tax by the end of the parliament, culminated in the Scottish Government announcing an independent *Commission on Local Tax Reform*. It was tasked with presenting a range of alternatives to the Council Tax in time for the 2016 Scottish Parliament election (Commission on Local

Tax Reform, 2015). The Commission was cross-party (with the exception of the Conservatives who ran a separate commission) to provide a range of agreeable positions which parties could choose from and include in their manifestos. Much like Layfield, when the Commission reported in 2016 its varied recommendations eventually lost traction resulting in a much smaller package of reforms which under-delivered on already watered-down manifesto proposals.

Whilst this period lacked a 'shock factor', sustained incremental pressure can be said to have resulted in a critical juncture when the 'permissive condition' of the Council Tax freeze's impending end produced the factor necessary for reform. It was also a relatively short window where a range of possible pathways emerged through the Commission's findings. This brief window presented itself as having significant path-breaking potential and one which fits the criteria of a critical juncture. The forthcoming election represented a window of opportunity to catalyse local government policy reform – especially given the cross-party buy in. The path breaking potential here was two-fold, as it would have marked a deviation from both local government finance and British policy. As with the first case study, understanding the successes and failures of this critical juncture, and why the status quo largely prevailed in spite of potential change, will shed light on the causal tendencies which influence local government finance reform.

4.4.3 A Case Not Pursued: 1985-1988

This thesis recognises that the Poll Tax was perhaps the most radical and revolutionary change to LGF in British history, representing both a critical juncture in local taxation and indeed a defining moment of the 20th century. The mounting pressures throughout the decade to control local government spending, the crisis of the 1985 revaluation, the short window in which the Poll Tax emerged as the leading candidate amongst a range of options in 1985, and the role of a small coterie of individuals in first advancing the tax and then a group of vanguard politicians in defending (and shaping) it (Luke, 2024), all suggest a critical juncture (See Section 6.3). Given that it meets such criteria, why has the decision been taken to exclude it as a primary case study in this research?

Whilst the Poll Tax is an outcome of interest insomuch as it produces change, the more interesting outcome from this period (in terms of the lasting reform of local taxation) is the critical juncture which opens in the collapse of this tax. An oft-overlooked element of critical juncture research is that whilst the criticality of the juncture is an important consideration, the endurance of the outcome which it produces is equally as important to scholars approaching from the perspective of historical institutionalism. The Poll Tax of course has a broad and lasting political and public significance which is still felt today ('There be dragons…'), yet its legacy is primarily concerned with its failure and the consequences which this failure produced, rather than the endurance of the policy path which it instigated for local taxation. It is in this failure that the enduring legacy of the tax emerged; politically for Margaret Thatcher and her politics, but also in terms of local taxation by *giving way* to the policy which would embed for the next three decades – the Council Tax. The focus therefore must capture and foreground this pivotal development, although this thesis will return to the concept of policy success and failure in the discussion.

Yet, even from this perspective, there would still be value in including it, perhaps by focusing exclusively on the Poll Tax and the Council Tax in order to offer a clear comparison between an 'unsuccessful' policy and a 'successful' one. This was ultimately rejected as an approach for two reasons. Firstly, doing so would only provide a very narrow glimpse of a much longer, protracted problem which has been shown to persist across time, political change, and structural upheaval. Whilst there would have been scope for incorporating Layfield here as part of the context to reform, there would have been limited scope for exploring developments post-93 in suitable depth. Secondly, such an approach could lead to weaker conclusions about the process of reform and its barriers in the first instance (given the limited scope of investigation) and then struggle to connect these conclusions to the challenges of the modern era.

Whilst an ideal solution would be to include all four as case studies, it was deemed that such an approach would not be feasible given the time and resource constraints of a PhD. It is for this reason that the research adopts a three-case study approach, sacrificing the well-researched era of the Poll Tax's design and implementation. Doing so allows for a consideration of the Layfield Report with an as yet academically unresearched attempt to reform in 2015/16. The resonance between these two cases, despite their many differences, was judged to be a more worthwhile contribution when considered alongside the Council Tax. Yet, the Poll Tax remains an essential part of the story which cannot be overlooked. To this end, whilst the period which captures the emergence of the Poll Tax does not feature as a case study outright, it is continually explored throughout this thesis which captures both its implementation and legacy in it's broader analysis.

It should also be noted that whilst these choices reflect suitability against the above criteria (which is focused primarily on LDTP), this is not to suggest that in the analysis which follows we are no longer interested in the *wider* system of LGF. Each of the case studies selected, to a greater or lesser extent, overlaps with debates which engage with the wider system, and these are explored throughout. Similarly, important events *not* captured by these exact case studies are not simply overlooked, but are incorporated in the broader discussion. Chiefly amongst these are the package of reforms contained within the Abolition of Domestic Rates (Scotland) Act 1987 and Local Government Finance Act 1988, the long term consequence of which feature heavily throughout the research.

4.5 Data Collection

This research employs elite interviews and archival research to address the central research questions. This data collection strategy also reflects the historical institutionalist approach and critical realist position of the research. These methods were chosen from a range of alternatives to best suit the project's time, access, and resource constraints. This Section will explore the design of each research method and reflect on its suitability to the project. Defining the unit of analysis is a challenge which plagues many researchers (Yin, 1981, p. 22) and has been highlighted as a common failure specifically in critical juncture literature (Capoccia and Kelemen, 2007, p. 347). Yin's advice is to structure your unit of analysis around the research questions (*ibid.*, p. 23). As the focus of the research questions is in understanding successful *and* unsuccessful attempts to reform, it has been essential to look at not just *policies* but also *opportunities* when this has been a possibility. This slightly confuses our unit of analysis, which is not strictly three pieces of legislation. Whilst Case Study 2 is of interest for providing tangible policies outcomes, case studies 1 and 3 are predicated on the *possibility* of policy outcomes and is therefore focused on attempts to formulate policies which would deliver substantial reform. These helped to guide the specific research methods used, which were focused on the policy responses and decision-making during the critical junctures themselves. As such, and in keeping with research philosophy and approach, elite interviews and archival research were chosen as being of the most value.

4.5.1 Elite Interviews

Interviews allow for a unique and rich insight into a phenomenon, opening a window into the experiences of participants. This enables the researcher to reconstruct and understand experiences in which they did not participate (Rubin and Rubin, 1995, p. 3). Crano and Marilyinn (2002, p. 223) argue that the most important basis for choosing an interview method is when the research calls for a "personal, interactive method of data collection". To understand the causal mechanisms which influence local government finance, it is important to first paint an in-depth description of the empirical ('events as experienced by the individual'). Interviews with those closest to the policy process across the three case studies is the most efficient and valid way of achieving this. Collecting data which reflects the lived experiences of policy practitioners and stakeholders is key to being able to interpret the informal behaviour shaping influences of institutions (i.e. values, norms, and embedded practises). Compatibility with HI is also a key consideration, and adopting the interview approach allows for a deeper understanding of time, sequencing, and context as it was experienced by those involved.

The interviews were focused on elites close to the policy reform process. The definition of an 'elite' is not clear cut, and is used in a broad range of circumstances across the social sciences (Harvey, 2011, p. 432). McDowell (1998, p. 2135) in her study of professional elites in the City of London classifies the group as being "highly skilled, professionally competent and class-specific". Zuckerman (1972, p. 159) differentiates a hierarchy of elites, identifying a 'thin layer' of ultra-elites with "the greatest influence, prestige, and power in an institutional sphere". Ultimately, to be considered an elite, one must "hold important social networks, social capital and strategic positions within a social structure" and be able to exert (greater) influence over their institutions (Harvey, 2011, p. 433). Harvey (*ibid.*) adopts a definition which narrows their classification down to senior management or board-level executives within organisations. This definition does not port neatly into public institutions, where a policy elite under the health brief does not necessarily share the same status to their colleagues in education. Dexter (1970) suggests elites are simply those *directly* involved in the policy process, and who have unique insights into the causal processes of polices. This broader definition is far more suited to policy research. For the purposes of this research, elites are defined as *individuals who are/were key decision makers in their respective brief, field, or project*.

Elite interviews are a cost-effective means of investigating the complexity of open systems of policy and politics. Elite interviews have the potential to generate highly reliable and valid data but this requires a considered research design in order to yield the best quality data (Beamer, 2002, p. 86). The first step in this design is the structure of the interview, which needs to have enough structure to focus the discussion, whilst allowing enough flexibility to probe and expand on relevant topics. To achieve this, a semi-structured interview was employed. Rubin and Rubin (1995) describe this research design as flexible, iterative and continuous whereby each interview (and indeed each question) brings you closer to a true understanding of the phenomenon of interest. Adopting this fluid, semi-structured approach allows each interview to be catered to the specific expertise or insight the participant has to offer (Denzin and Lincoln, 2017). To allow time for interviews to work through the set list of questions and explore avenues of interest, interviews were expected to last at least 30 minutes, but with a varied upper limited (Dicicco-Bloom and Crabtree, 2006, p. 315).

4.5.1.1 In the Field

On completion, a total of 29 interviews were completed with 29 participants. There was a relatively strong response rate, with only four potential interviewees declining to participate or failing to respond. Interviews were completed both in person and online (using Zoom and Microsoft Teams). Of this figure, 28 were recorded and transcribed (by an approved third party), whilst one interview was based on handwritten notes. Interviews were allotted approximately 1 hour but ranged from 39 minutes to 98 minutes with an average time of approximately 60 minutes. Once data was collected, pseudonymisation protocols were followed and interviewees were given new, fictious names. They are referred to throughout this thesis accordingly.

Potential elites were purposively identified from each case study as being top-priority interviewees. From this point, ‘snowball sampling’ was used to ensure all critical respondents were engaged, and that a complete range of elite views were identified (Beamer, 2002, p. 91). A convergence of interviewee suggestions and responses indicated that the sample was complete (which began to happen after approximately 25 interviews), at which point the research had collected a broad range of information. Snowball sampling has its disadvantages, most notably the introduction of bias. Participants may be more ready to suggest the names of closer colleagues or individuals they agree with. To counteract this, interviewees were allowed to suggest whoever they felt was relevant, but following the suggestion of Beamer (2002), respondents were asked to also identify individuals who took opposing views to them, or who had different ways of working. Whilst this does not eliminate bias completely, it did help ensure a variety of responses.

Participants were provided with project information (including consent forms and data protection information) in advance. Given the historical nature of the project, a rough outline of possible themes and questions was also provided in advance so that participants (particularly those being asked about case studies 1 and 2) had a better sense of the specifics that the research was interested in. These sample questions were used as a rough guide for the interviews, but participants were informed that they were not expected to pre-prepare answers and that the interview would follow its own direction on the day. Whilst the interviews followed their own trajectory, they were conducted in such a way as to allow the researcher to answer all of the essential questions (which differed from person to person) whilst allowing the interviewee to lead the interview where they felt most relevant. In order to 'warm up' the interviewee and get a sense of what they found to be most important, each interview began with the same, broad question:

> *Local government and its financing has been in and out of the spotlight for decades. How much have things changed, if at all, since the start of your career?*

This question allowed the interviewee to reflect on the span of their career and raised some interesting lines of investigation which would otherwise not have emerged from the preliminary research. This also allowed for extractions about the general institutional and policy trajectories across time, including those more subtle movements. Additionally, it provided a baseline with which to compare a) the degree of change as perceived by the interviewees and b) which (if any) of these changes stood out as (most) important. It also allowed the researcher to get a better sense of what their career entailed, including timelines and responsibilities. Given that civil servants are especially likely to change jobs and portfolios (internally) this was essential.

4.5.2 Archival Research

Given the time and resource constraints, historical institutionalist approach, and the need to complement the interview method, archival research was a prime candidate from the beginning of the research design. Ventresca and Mohr (2017, p. 3) suggest that because organisations are essentially systems of 'talk', organisational texts "thus represent forms of social discourse - literally, ways of communicating, producing and enacting organisational life". For research that has a specific focus on historical decision making in a public institution, public archives which hold detailed notes of working groups, ministerial meetings, and committees represented a vast resource for data on institutional ebb and flow. The record of decision making, and the evolution of this decision making from meeting to meeting, held key insights which "[allowed] for the analysis of organisational change in increments of time that captures significant institutional processes" (Ventresca and Mohr, 2017, p. 4).

A primary concern for the archival researcher is access. For this research, the challenge did not generally lie in the availability of data (for which there was plenty, easily accessed), but rather in the processing of large volumes of data in order to "unearth archival gold" (Hill, 1993, p. 8). As Schwartz-Shea and Yanow (2011, p. 69) explain, in countries where public access is commonplace, matters of access are "methodologically insignificant compared to the need to decide *which* among these many texts… to analyse". It is not a question of accessing the data, but rather accessing the *right* data. There was one crucial exception to this. Whilst there exists a record of meeting minutes from each gathering of the Convention, no COSLA briefing papers and reports are available from the period before 1997. Having investigated further with archivists and COSLA themselves, it would appear these documents were destroyed when the Convention moved to a new building. This missing piece of the puzzle would have certainly shone much light on the internal decision-making of the body but was not able to be accessed.

There are a number of important considerations and biases to be aware of with regards the archives themselves which this example illustrates. The archiving of materials is neither certain nor systematic but rather sedimented; their storage is often fragmented and poorly organised; their condition may be unreadable, or materials may have been lost to erosion all together (see Hill, 1993). The sedimentation of archival resources refers to the decisions taken by record keepers and archivists to keep certain materials and not others. It is the judgment of individuals (often disconnected from the materials they are passing judgement on) which files are 'worth keeping'. Lee (2015, pp. 7-9) reframes these considerations as survival bias (*which records survive the archiving process?*), transfer bias (*which records fell through the gap between the original institution and the archiving institution?*), and source bias (*what data was even recorded in the first place?*). Navigating these biases, especially with little sense of what the 'universe' of files may look like, was a constant challenge. For this reason, it was essential to treat archives as carefully and critically as any other source of data (Craggs, 2016, p. 137). The most important strategy for combatting these sources of error is through constant triangulation (see Section 4.5.3) to ensure there is no overreliance on one single source (Mills and Mills, 2018).

4.5.2.1 In the Field

The majority of archival research was conducted in the National Records of Scotland (NRS) in Edinburgh and the National Archives (NA) in London. Because of the quasi-independence of the Scottish Office even before devolution, certain files relating to Scotland only appeared to be found in the NRS, however a number of files were also duplicated across both archives.

Targeted online searches of these archives revealed a number of files of interest, many containing several hundred pages of material. These preliminary searches revealed local government finance documents as coming under three broad categories: working groups, steering committees, and ministerial committees. Each of these groupings are spaces of decision making and potential institutional movement and thus represent the research materials of greatest interest. These files would include consultation feedback, technical legislation drafts, meeting minutes, technical analyses, and correspondence (including with external bodies and the wider public). The research used this data to explore spatiotemporal chronologies and backstage processes and perspectives (Hill, 1993, p. 59) through an analysis of the agendas and minutes of these meetings between key decision makers. The documents themselves were also treated as sources of administrative power in themselves (Giddens, 1987).

A total of 15 archival visits took place over three years, nine of which were in the National Archives and six in the National Records of Scotland. Over 100 files were requested which amounted to many thousands of documents, and perhaps hundreds of thousands of individual pieces of paper. Nearly 3500 individual pages were identified as relevant and photographed for further analysis. Because of the volume of data, trips to the archives were confined purely to data collection. These were then organised, catalogued and analysed at a later date. A log of this data collection is provided in the annexe of this thesis.

4.5.3 Designing for Bias and Imbalance

Since qualitative research is fundamentally interpretative, the introduction of bias is inevitable. The challenge is to ensure “that interpretations represent those of the participants and not of the researcher” (Fusch, Fusch and Ness, 2018, p. 19). Applying triangulation strategies (in its simplest form gathering multiple sources of data) can enhance the reliability of a study and its results (Stavros and Westberg, 2009). The research employs data triangulation (using multiple sampling strategies to gather data), within-method methodological triangulation (the use of multiple methods to gather data), and theory triangulation (applying alternative theories to the dataset) to add extra depth to the data collected (Denzin, 1970; 2009). Adopting this strategy is key to ensuring both external validity (the transferability of the research's conclusions) and the construct validity (the ability of the inferences to be tied to the conceptual framework) of the research (Fusch, Fusch and Ness, 2018).

On imbalance, the research methods individually presented challenges for the case studies, but together offset the shortcomings of each. Interviews were increasingly difficult to recruit for each consecutive case study as the date of the critical juncture fell further and further into the past. This presented a challenge for the research. As with the interviews, the archival research had its own project-specific shortcomings. Standard 'quarantine' procedures prevent government records from being released for at least 15 years (in Scotland) from the date of their creation. This means that no archived materials were available for the third case study (2014-2016) which might have offered insight into the decision-making processes on the part of the Government. Fortunately, the Commission's work generated a great deal of publicly available evidence which informed its conclusions including a 'Compendium of Evidence' and an additional annex of technical details which included detailed supporting analysis.

Interviewees were spread across the three case studies however, as expected, a key issue was access to interview participants from the first case study (1975 – 1977). This critical juncture began nearly 50 years ago, which meant that even relatively young policy practitioners, commentators, or academics at the time would be septuagenarians now, with the more senior individuals in their 80s and 90s. It was undoubtedly harder, but not impossible, to recruit participants for this case study. In the event, only a few of the participants were civil servants during this period, and none were involved directly with the Layfield Commission. With that being said, they did remember this period well and offered rich commentary about the response to Layfield and the context in which these decisions were taking place.

Combined, these methods helped to offset the data gap in each. The abundance of archival material for the first case study helped to compensate for the challenges in interviewee recruitment, whilst the ready availability of interviewees helped to offset the lack of archival material for the third case study. This did of course mean a mismatch of data sources, but this approach can prove just as valid so long as the qualitative data which it produces "is a source of well grounded, rich descriptions and explanations of processes in identifiable local contexts… which preserve the chronological flow [to allow the researcher] to see precisely which events led to which consequences, and derive fruitful explanations" (Miles and Huberman, 1994, p. 1). This approach was used in the data analysis, which combined 'theory driven narrative analysis', counterfactual analysis, and process tracing.

4.6 Data Analysis

Qualitative data analysis is much like the qualitative data itself: contextualised, non-linear, and iterative (Bazeley, 2020, p. 6). Data analysis was ongoing throughout the data collection process, as each new set of data further focused the research. These sets of data took the form of interview transcripts and documentary analysis of archived material. Processing these large volumes of data into manageable datasets required reducing and organising the data into coded categories which were then analysed for themes and patterns whilst retaining the rich detail of the data. This process was iterative and ongoing throughout the fieldwork. As a key focus of the research is the policy *process,* so (non-formal) process-tracing was utilised to uncover the casual tendencies and mechanisms which influence reform.

4.6.1 Interpretation Strategy

Following from Miles and Huberman (1994, p. 12), analysis engaged in four (concurrent) activities, as illustrated in Figure 2. This circular, recursive process often involves 'taking 2 steps forward and 1 step back' (Bazeley, 2020, p. 14). It began with a close reading of the data to generate initial impressions. These impressions were then coded into categories to form a fuller picture and link data with theory (Sun, 2017). After an initial manual stage of analysis, the coding was finalised using NVivo software to keep track of the various workflows and allow for easier thematic analysis. Ideas and concepts emerged from the data through "asking questions about (and developing) conceptions that are fundamental to the phenomena under study" (Meyer and Lunnay, 2013, p. 3). This process made it possible to attain knowledge of the social reality and was reviewed throughout the duration of the fieldwork.

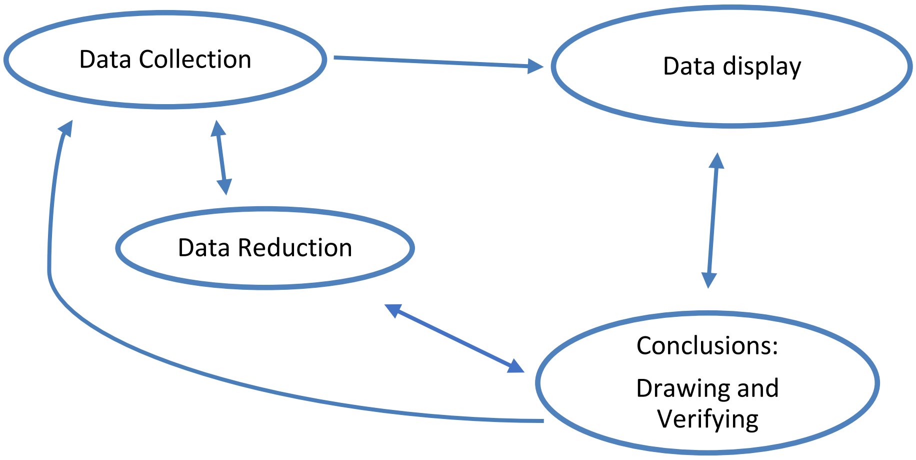

Figure 2 Miles and Huberman's Model of Data Analysis

Analysis first focused on drawing case-specific conclusions, before a more comprehensive framework was formulated. This involved compiling individual within-case analysis for each of the three case studies (stage 1), before drawing cross-case conclusions (stage 2). Both stage 1 and stage 2 reveal causal tendencies but only in stage 2 did primary theory building occur. This follows the procedures of Miles and Huberman (1994) and Yin (2003).

4.6.2 Method of Analysis

Focusing this strategy for critical juncture analysis, Capoccia and Kelemen (2007, pp. 354-359) offer suggestions for the method of analysis, the overview of which is worth quoting here in full:

> "We can consider the analysis of critical junctures as the analysis of decision making under conditions of uncertainty. The methods adopted should therefore reconstruct, in a systematic and rigorous fashion, each step of the decision-making process, identify which decisions were most influential and what options were available and viable to the actors who took them, and clarify both their impact and their connection to other important decisions… A further key element of the analysis of critical junctures is the analysis of contingency: during critical junctures decisions are taken in a situation of high uncertainty and unpredictability, given the relaxation of the 'normal' structural and institutional constraints on action. Taking

> contingency into account requires researchers to analyse 'what happened in the context of what could have happened', a task for which we must complement our hindsight perspective (useful to identify moments of change) with a foresight one, which allows reconstructing not only what the consequences of actual decisions were but also what plausible consequences might have resulted from other, viable choices[28]. This move takes us to into the realm of counterfactual analysis."

Two essential components to the analysis emerge: the need to reconstruct rich narratives about the decision-making processes and the role of individuals and institutions therein, and the significance of *contingency* to this process. They go onto suggest that there are range of possible 'methodological tools' for achieving this including process tracing, systematic process analysis, and analytic narratives, but that "in general any form of structured, theory-guided narrative" (Capoccia and Kelemen, 2007, p. 354) combined with counter-factual analysis would deliver the necessary insight.

Process tracing has been described by Beach and Rohlfing (2015, p. 7) as its own bespoke method. Drawing on Gerring (2008), they define it as "a within-case method that allows one to trace a process that links a cause (or conjunction of causes) [X] with an outcome [Y] in order to generate an inference about the casual mechanism" (Beach and Rohlfing, 2015, p. 7). Process tracing attempts to enhance rigour by allowing the researcher to make stronger inferences about casual relationships which are grounded in evidence, and by painting a clearer picture of *how* a cause produces an outcome (Beach, 2016, p. 463). Yet, recent literature on process tracing and counterfactual analysis has borrowed heavily from positivist schools in an attempt to 'prove' causality, strengthen inferential claims, and formalize the strategy through a series of tests and algebraic formulae (see Mahoney, Goertz and Ragin, 2013; Mahoney and Barrenechea, 2019; Mahoney, 2015). Such endeavours do not fit neatly into the research problems or philosophy pursued here, producing a methodological incommensurability. It is not always possible to identify linear processes or reduce them to one, particularly for phenomena which are characterised by causal complexity, which is to mean "situations where multiple explanatory factors *combine* in complex and at times contradictory ways" (Furnari *et al.*, 2021, p. 3). To adopt such approaches would be overly reductive of a complex policy landscape and reform process.

[28] Necessary to identify 'near miss' junctures which did not produce change

Instead, the research adopts 'non-formal' narrative accounts of institutions and history which rely more on 'tracing the process' than on process tracing (Capoccia and Kelemen, 2007, p. 358). This strategy can be transferred across different units of analysis and can account for paths 'not taken', whilst offering a "stylised but compelling reconstruction of the key decision and choices that produced the final outcomes" (*ibid.*). This is achieved through interweaving theoretical models throughout the analysis to simplify reality and drive the construction of the narrative – particularly as they relate to how decision-makers preferences and choices are influenced. Capoccia and Kelemen (2007, p. 357) suggest that this must involve two things:

> "First, the narratives should specify not only the decisions and actions that were taken but also those that were considered and ultimately rejected, thus making explicit the close-call counterfactuals that render the critical juncture 'critical'. Second, the narrative should reconstruct the consequences of the decisions that were taken and (as much as the available data allow) the likely consequences of those that could plausibly have been taken but were not."

Such an approach allows the researcher (and reader) to overcome the causal complexity of local government finance and its reform which is challenging enough *within* case before even considering the three case studies together. This does however run the risk of sacrificing parsimony for historical detail – however 'everything should be made as simple as possible, but no simpler'[29].

4.7 Conclusion

This chapter has outlined the research design and methodology. It has highlighted the theoretical and philosophical foundations of the researcher and shown how the research design has developed to respond to the research questions. It has explained why the case study approach was chosen, and how the cases themselves were selected. The choice of research methods was made both for their individual merit, but also for their enhanced rigour when paired to allow their respective weaknesses to be overcome. The approach to data analysis stressed the iterative nature of the process and highlighted the techniques involved. These decisions were all taken with time, access, and resource considerations in

[29] Attributed to Albert Einstein

mind and were judged to provide the best possible data within the limitations of the project. Ultimately, the methodology was guided by:

- The ontological and epistemological leanings of the research, which recognises that through interpretation of empirical data we can access glimpses of the ‘real’, the domain of structures, mechanisms, and causal tendencies.
- The historical institutionalist approach as it emerged from the literature review and the need for a sociohistorical analysis of critical junctures, path dependence and institutions.
- The need to reflect the distinctly historical and institutional nature of the research questions in the research methods and analytic techniques.

Chapter 5, 6, and 7 which follow present the findings which emerged from this research design. Each begins with a short overview of the context around each critical juncture to set the scene. This is followed by a deeper exploration of the findings themselves. Each chapter concludes by reflecting on the themes which emerged from the data and which go on to form the basis of the discussion.

5 Case Study 1: 1975-1977

The development of the Rates and the growth of central grants to support local government expenditure had been an uneven one as a result of the two world wars, but from 1945 onwards a clear trajectory was beginning to emerge. A supposed post-war social consensus emerged which ushered in a new era of social provision marked by a "Beveridgean welfare state, a mixed economy and a Keynesian economic strategy" (Blackburn, 2018, p. 196). This thesis first presented by Paul Addison (1975) has been challenged since the late 1980s (Pimlott, Kavanagh and Morris, 1989) and remains an active debate today (Blackburn, 2018), yet the expansion of local government, the services it provided, and the costs that it incurred cannot be disputed. By the start of the 1970s, local government had never been larger (Section 5.1).

The 1970s themselves were a decade of comparable turbulence as the post-war consensus, to the extent that it did exist, began to unravel. In the first half of the decade, a narrative of general decline and failure had emerged which bred political and public discontent (*ibid.*). Mounting social and trade union unrest toppled Edward Heath's Conservative Government in 1974, answering the question asked when he called the election: "Who Governs Britian?" (Porion, 2016, p. 302). The Labour governments from 1974 struggled to challenge this narrative with historians describing these years as being characterised by 'managed decline' (Hennessy and Seldon, 1987, p. 241), with later Labour revisionists even accepting the thesis of 'declinism' to justify party reform (Meredith and Meredith, 2008, p. 137). Whilst it is widely accepted that these Labour administrations were the victims of consecutive crises (Rogers, 2013) culminating in a 'winter of discontent' in 1978-79, the political and economic problems were 'undoubtedly exaggerated' when considered alongside the advances and improvements of the decade (Porion, 2016, p. 303). Although the decline narrative is highly politicised and debatable (Tomlinson, 2014), these political and economic challenges had clear and real consequences for local government and its financing. Discontent materialized in flashpoints over high bills in the middle of the decade, with its size now considered by many to be in excess.

It was within this context that Frank Layfield QC was tasked with re-evaluating local government finance, the first such review of its kind and the most thorough for many decades (Section 5.2). His analysis, that a choice had to be made which placed responsibility firmly with either central or local government and for the system to reflect this choice, was so clear and incisive that it still carries weight today (CIPFA, 2015).

Despite the strength of the review's conclusions, and the extent of evidence to support them, Layfield's choice was ultimately rejected by the Callaghan Government at the time and all those which have come since. This chapter explores the role and outcome of this historic commission, how and why its findings were rejected, and the significance this had for future efforts to reform. In doing so, it presents findings on the instrumental use of commissions to forestall action, the condition of centre-local relations in Scotland, the impact of looming constitutional questions, and the interplay between institutional forces and political will.

5.1 LGF in the 1970s

Throughout the 20th century, local government spending had become a larger portion of the economy (Travers, 1986, pp. 1-2). Whereas in 1870 total local current and capital expenditure made up about 3% of gross domestic product (GDP), by 1974-75 this had grown to over 15% (*ibid.*). By the middle of the 1970s, local authority (LA) spending had been increasing steadily for nearly two decades, at one point exceeding the growth rate of the economy as a whole (Travers and Esposito, 2003, p. 42). Internal Treasury documents from 1975 suggest that "Rate fund expenditure account[ed] for about 20% of total public expenditure and if one looks only at goods and services, the proportion is approaching 40%" (NA – T341/712). Fuelling this increase had been the growth of LA staffing levels and wages, most notably in teaching and education (Gould and Roweth, 1980, p. 347). In 1976, local government in Great Britain was employing some three million people with net spending exceeding £13,000 million (Committee of Inquiry into Local Government Finance, 1976, p. xxiii).

This expenditure was funded through a combination of grants, charges, and local tax revenues, as it is today. During this period, local revenues were collected through a combination of *Domestic* and *Non-Domestic Rates.* The *Rates* as they came to be known were a property tax levied by 'taxing authorities'[30] on the "annual [rental] value of the property and payable by the occupier of that property" (Hepworth, 1988, p. 69). The 'general rate' was "calculated as an amount in the pound on the rateable value of each

[30] Typically, the larger authorities in the non-unitary systems of the time, although smaller authorities could impose a 'precept' which had to be taken into account. In Scotland, both regional and district councils were 'rating authorities' meaning both set a rate levy but this total sum would be collected by the larger, regional authority.

hereditament in the rating authority area" (*ibid.*). The 'hereditament' was the technical term for each separate unit of assessment including both domestic and non-domestic properties. The Rates had existed for many centuries in one form or another, with their roots generally being traced back to the Poor Law of 1601, although similar taxes have existed since the 13th century (Travers, 1986, p. 3). They began to look more like the Rates in question from 1840 when their basis settled purely on fixed property (*ibid.*). A number of supplementary rates for specific purposes were later merged into a unitary rate from 1925 (*ibid.*). The proportion of local expenditure funded by Rates (domestic and non-domestic) varied throughout the 20th century from 33% in 1933/34 to only 23.9% in 1974/75. At the time, this year also marked the highest burden borne by government grants which peaked at 44.7% of local authority income (*ibid.*, p. 211)

The challenges of growth and balancing the funding of local government were not new. Midwinter and Mair (1987, p. 30) note that the report by the Royal Commission on Local Taxation which reported in 1901 effectively predicted issues which would recur throughout the century – namely *equalisation* and *expenditure needs.* As the century progressed, however, failings of the Rates drew attention, whilst the expanded role of local government created new challenges for matching service delivery to revenues and expenditures. Major criticisms of the Rates, as later outlined in the 1981 *Alternatives to Domestic Rates* Green Paper, are summarised by Hepworth (1988, pp. 100-101):

1. *Rates are regressive*. They bear most heavily on those with the lowest incomes although rebates helped to alleviate this 'adverse feature'. This is in the context of a 'total taxation system' which is on the whole progressive

2. *Rates do not distribute burdens evenly across the community*. A multi-member household pays the same tax bill as a single-person household (subject to rebates)

3. *Rates disincentivise home improvements and the construction of 'better' housing.* They effectively act as a tax on improvements as the improvement gains are partially eroded by increased taxes payable

4. *The system produces different resources for authorities with comparable needs*. Although this is true of any local tax system

5. *Rates are inelastic*. They are unresponsive to changes in general price levels forcing greater reliance on central government, and must be set every year

6. *They are obtrusive*. This reflects the visibility arguments of Slack and Bird (2014) in that they require to be a paid in lump sums

7. *The valuation system is unsatisfactory*. There (increasingly) lacked the necessary rental market data to provide accurate rateable values. Additionally, since 1950 revaluations were supposed to happen every 5 years[31], although only three domestic revaluations took place

The attention paid to each of these criticisms has changed over time. For instance, following the reorganisation of 1972, debates about distribution and accountability featured heavily, whereas after the inflationary challenges in 1974 the regressivity and inelasticity of the tax came to be a more major focus. However, there were a number of advantages to the Rates System. From the same Green Paper, these were outlined by the Conservative Government in 1981[32]:

1. Rating was clearly locally derived and independent of central government
2. Rates were paid widely and encouraged active citizenship, a fact which the obtrusiveness of the rate demand helped
3. The burden was not excessive for the majority of households
4. It was readily understood, simple and well-established
5. The tax base is relatively stable
6. Collection is easy and administrative costs are low
7. The yield is substantial and easy to predict
8. There is little scope for evasion

Whilst the Rates were viewed as unpopular and had a number of problems, they were generally supported in principle (Committee of Inquiry into Local Government Finance, 1976; Department of the Environment, 1981).

[31] This stipulation was removed in 1980 in the Local Government Planning and Land Act 1980 in which Ministers were given the discretionary power, and were able to set different dates for different hereditaments effectively separating the Domestic and Non-Domestic Rates

[32] Although note that many of these contradict Layfield's findings, see Section 5.2

5.1.1 International and Local Crises

Expenditure growth over the 19th and 20th centuries is not neatly mapped onto political or economic trends, with different political parties overseeing periods of both rapid expansion and contraction (Travers, 1986, p. 2). Despite this, and although local government spending growth was neither unique to the UK (Case and Rogers, 1975) nor a new development (Gould and Roweth, 1980), local government financing came to be a problem for Labour under both Harold Wilson and James Callaghan. Additionally, growing trade union influence in response to the economic challenges combined with accounts of bloat and profligate spending fed into a narrative that central government was losing control of local government (see Morgan, 2017). These factors, combined with the emerging economic crises of the decade resulted in a sharpening of media, public, and political focus on the issue of local government funding and expenditure.

Arguably the most important factor in sharpening attention on *local* finance was the *international* crises which had created significant economic and fiscal challenges for the government. Beginning at the start of the decade but peaking in 1975 with a sudden and dramatic increase, inflation reached highs of over 23% (Tomlinson, 2014; Goodwin, 2022). At the time, local authorities accounted for nearly a third of all public spending (Wright, 1977), which meant that a significant portion of the nation's increased expenditure was incurred by local government. Moreover, higher local government spending was also viewed as contributing to the inflationary pressures themselves (NRS - S0E6/1/883).

Over the period 1971-1974 a period of 'unprecedented high inflation' brought the inelasticity of the rates into sharp focus, as revenues failed to keep pace with costs. This forced grant to increase to 75% in Scotland (Midwinter and Mair, 1987, p. 33). In 1975, however, inflationary pressures, "growth far in excess of the growth in national income" (NRS - S0E6/1/883), and a refusal to further increase grant, contributed to an acute rise in Rate demands. Many of these same challenges had been faced the previous year in England and Wales when bills came through the door in the Spring of 1974. Some commentators have also suggested that the administrative costs involved in the Scottish reorganization of 1975 also contributed to these issues (Travers, 1986, p. 54), a belief echoed by COSLA who lamented that there "could not have been a worse time for reorganisation" (NRS - S0E6/1/883). Combined, these produced what was later referred to as the *Rates Crisis of 1974-75.*

With further tax increases out of the question, considerable restraint was required to achieve savings and tackle the inflationary problem. Documents from 1975 convey the gravity of the situation, the speed which it was unfolding, and the consequences for local government. Negotiations in the June show that where forecasts had previously planned for a 6% growth in spending for local government in Scotland, LAs would now need to limit this to 4% at a maximum (NRS - S0E6/1/883). By the November, the White Paper these negotiations were based on was already out of date, forcing new growth limits of less than 1.5% with threats of potential expenditure *reductions* in the near future (NRS - S0E6/1/883). Compared to the significant growth of local government in the previous 2 decades, this would have been a considerable about-turn. This is best remembered in Anthony Crosland's 'the party is over' speech to council officers in 1975, the extended version of which is worth repeating here,

> "For the next few years times will not be normal. Perhaps people have used the words 'economic crisis' too often in the past. They have shouted 'wolf, wolf' when the animal was more akin to a rather disagreeable Yorkshire terrier. But not now. The crisis that faces us is infinitely more serious than any of the crises we have faced over the past 20 years ... With its usual spirit of patriotism and its tradition of service to the community's needs, it is coming to realise that, for the time being at least, the party is over ... We are not calling for a headlong retreat. But we are calling for a standstill."
>
> (Crosland, 1975)

Translating this message into reality would provide difficult, and this challenge put strain on the centre-local relationship in Scotland as targets were missed. An opening statement from then-Scottish Secretary, Willie Ross, to a meeting of Ministerial Group for LGF criticised Scottish local authorities for failing to honour their agreement in clear accusatory tones:

> "As a nation, we are living beyond our means… Despite agreement on a maximum of 4 percent growth in 1975/76, and government advice on how to achieve it, LAs in Scotland planned to spend at a rate 11 or 12 per cent higher… this is a fact, whatever the reasons may be."
>
> (NRS - S0E6/1/883)

This increased spending could only have been raised through increased grant, which would assuage cashflow issues but would not address the underlying problem; or through higher Rates, which were inflationary in themselves and "in any case intolerable" (*ibid.*).

Reflecting back on the Rates Crisis COSLA Secretary, G.H. Speirs, highlights a number of additional factors resulting from reorganisation (NRS – SOE6/1/734):

- The imposition through statute of new responsibilities on local government
- Rationalisation of rate poundages (i.e. tax *rates*) over large areas (which meant that areas which had previously enjoyed low rates faced sharp increases)
- The placing of heavy capital commitments by some 'out-going' (reorganised) authorities
- Running down of balances by some outgoing authorities (which artificially depressed their rate demands in the short term but which 'bounced back' later)

Regardless of their root cause, the most vocal losers of the crises were the public. The average increase in bill for rate payers in Scotland was 28% but huge variations resulted in some bills increasing by as much as 250% (Committee of Inquiry into Local Government Finance, 1976, p. 6). As above, these higher rates were themselves inflationary, further exacerbating the situation. The Rates Crises exposed not just a dissatisfaction with the increase in rate demand but with the unfairness of the whole system. These problems which had compounded over decades had led the Rates to peak unpopularity amongst the public (The Times, 1974).

5.2 The Layfield Commission

Secretary of State for the Environment, Anthony Crosland, tasked Frank Layfield QC with chairing the *Committee of Enquiry into Local Government Finance* in June 1974. The Committee's remit was to "review the whole system of local government finance in England, Scotland and Wales, and to make recommendations" (Committee of Inquiry into Local Government Finance, 1976, p. iii). The announcement of these terms of reference on the 27th of June would be the first such time a commission was tasked with looking directly at the whole of local government financing since the turn of the century. Despite this, as highlighted in the foreword to the final report, "most of the serious problems uncovered by the report are not new" referencing the findings of the 1914 Kempe Committee (Cmnd. 7315-6) some 60 years previously. It is unlikely that a Commission along the lines of

Layfield would have been created had it not been for the “barrage of criticism of the Rates System in 1975” but “its establishment raised expectations that the Rates System might either be abolished or modified significantly” (NA – CAB130/934). These ‘raised expectations’ and the perfect storm that created them appear to have contributed both to the strength of Layfield's conclusions and the pressure on central Government to give them a hearing. These consequences will be explored later.

The Report’s core finding was a “lack of clear accountability for local government expenditure, which results from the present confusion of responsibilities between the government and local authorities” (Committee of Inquiry into Local Government Finance, 1976, p. xxxv). This conclusion began to emerge from their initial analysis of the 1974 crisis and the two streams of criticisms it produced. Firstly, there was an immediate and widespread dissatisfaction with the increase in Rate demands. Secondly, the crisis unearthed many “reservations and dissatisfactions” with the whole system of local government finance. The former complaint was largely from the public whilst the latter complaint was made primarily by local and central government (Committee of Inquiry into Local Government Finance, 1976, p. 3). Additionally, as summarised by Travers (1986, pp. 51-52), the public had a range of other complaints with LGF:

A. It was suggested that there was no apparent link between rate demands and ability to pay
B. The system was incomprehensible, rateable value as a concept was too difficult to understand, and revaluations were too infrequent
C. Complaints of extravagance by local authorities, particularly as they related to expenses and hospitality allowances
D. Increased (and over-) staffing and salary levels
E. A view that LAs decided what to spend first then thought about the rate effects, and that LAs did not consider long term costs.
F. Inadequacy of local government incomes in terms of undercharging for services and in the failings of the rates to allow councils to fulfil their functions adequately

These complaints themselves were not new but had taken centre stage during the Rates Crisis and reframed the issue. The original purpose of the Rates had been “altered beyond recognition” since their introduction as both the tax and the services which it funded expanded (Committee of Inquiry into Local Government Finance, 1976, p. 144). The suite of local authority responsibilities had evolved considerably since the start of the century;

local government lost many of its key functions (poor relief and town planning most notably), but those that remained had grown considerably in size. Layfield notes that in the 25 years between 1949/1950 and 1973/74 total LA expenditure seen an eleven-fold increase, despite their responsibilities remaining fairly constant (*ibid.*, p. 14).

Although local expenditure had been rising steadily, there is broad acknowledgement from practitioners (Moon, 1997)[33], central government (NA – T341/708), and local government (NRS - SOE6/1/734) that this was concurrent with an increase in centralisation. The combination of an expanding but more tightly controlled local alongside shifting statutory responsibilities further contributed to the blurred lines of accountability in public services. The report concludes,

> "What has been clearly visible over recent years is a growing propensity for the government to determine, in increasing detail, the pace and direction in which local service should be developed, the resources which should be devoted to them and the priorities between them"
>
> (Committee of Inquiry into Local Government Finance, 1976, p. 65)

Central to this was the increase in government grant which coincided with the rapid growth in local government services, although the report acknowledged that it was difficult to make a direct connection between the proportion of grant and the extent of government intervention. However, they generally agreed with the adage 'he who pays the piper calls the tune'. As Midwinter and Mair (1987, p. 132) summarise, "the committee was satisfied that the scale and increases of grant necessary to make service development possible served to reinforce political pressure for government intervention, and for ministerial concern over how money is spent". It was also clear that central government had become increasingly concerned with local taxation, both of which combined to result in a "drift to central responsibility and a weakening of local accountability" (*ibid.*).

Whilst this statutory fuzziness was criticized by both sides, it is clear that both the government and local authorities relied on a certain degree of strategic ambiguity to allow for deflection and to "take the heat off" (Robert, 2022). Layfield was careful to remain officially neutral on the subject but was clearly worried that "if central/local relationships

[33] Available in NRS - SOE6/741

were left in a state of undefined flux there would be a further acceleration of the drift towards greater centralism" (Public Finance & Accountancy, 1977).

5.2.1 Layfield's Analysis

The Commission reported in 1976 and called for a decision to be made which placed responsibility for local government either with LAs or with central government, and for adopting a financial system which fully recognised this. For Layfield, this foundational tension was the most important barrier to any successful reform. Without first addressing the fundamentals, future adjustments to the rating system would continue down a dangerous middle way which could only lead to a more abject system failure. Perhaps in response to a note of reservation attached by one of the committee members, the foreword of the report is clear that their recommendations are not for a maximalist solution to the centre vs local question, as in often misinterpreted (Jones and Stewart, 2002), but rather for a clear distinction between central and local responsibilities and the appropriate funding mechanisms to reflect this distinction. Necessarily, this would involve a shift in the balance of power and funding to either the centre or the local.

Layfield was highly critical of any 'half way house' which attempted to marry central control and local accountability, which the report viewed as unstable and undefinable (Committee of Inquiry into Local Government Finance, 1976, p. 73). Instead, Layfield outlined two possible routes and provided recommendations to achieve either, he differentiated them as being characterised by more central responsibility, or more local responsibility.

In a system which was based on more central responsibility, the key feature would be that "government and not local authorities would be accountable for the totality of local expenditure" (Committee of Inquiry into Local Government Finance, 1976, p. 75). This would involve the government setting the totals for all public spending but may allow local government discretion of many responsibilities for which there is minimal expenditure requirements. Layfield suggests thing such planning control, building regulations, weights and measures and other public control functions. There would also exist 'considerable local discretion over the management of services' such as education, social, transport, police, fire and housing services so long as this discretion had negligible effect on expenditure controls (*ibid.*).

In this system, a local tax would still be necessary in order to ensure local authorities were answerable to the local electorate for discretionary spending, but the report suggests that a (diminished) Rates would suffice. The split between grants and tax could remain as it was in 1976 meaning that the balance of funding would essentially not change, however the degree of hypothecation of these grants would be nearly 100%. They argue that central and local government would likely require much closer contact in order for this system to work, meaning that local government would still have a means of influencing policy, however they suggest that it is ‘difficult to resist’ the conclusion that many of the advantages of local democracy would be sacrificed (*ibid*.).

A system based on more local responsibility would involve the revival of local accountability through financial control. Whilst they note that such an arrangement is theoretically possible, they do not endorse any such system in which local government has “unfettered discretion in the carrying out of local services” (*ibid.*, p. 77) as this would involve finding the bulk of money from local taxation alone, which would be politically and financially impossible. Rather, they suggest that only matters which are essential issues of national policy (such as national defence) should be reserved by central government, and that they should exclude themselves from the “wide range of provision where its intervention is not required to secure the achievement of acceptable standards” (*ibid.*, p. 78). In order to support this decision, it would need to be accompanied “by financial measures which both support the desired framework and enable it to withstand the stresses and strains that would inevitably be imposed on it by major political and economic changes over the years” (*ibid.*).

Referring back to their earlier analysis, they identified the weakening of local accountability as stemming from the “combination of a high and increasing proportion of grant and an inflexible and politically sensitive local tax base” (*ibid.*, p 78). This weakening, they noted, “had occurred notwithstanding a frequently professed intention on the part of the government to bring about the opposite result” (*ibid.*). As a result, it was Layfield’s conclusion that political will alone was not sufficient to safeguard accountability and that this must be accompanied by greater control of local revenues and their sources. Their suggestion to achieve this involved reducing dependence on national taxation and grants, as well as a commensurate increase in the capacity of local authorities to raise taxes. This would also involve ensuring that local taxation was able to “match changes in expenditure without creating the political strains… of the last ten years” (*ibid.*,

p. 79). For this, Layfield recommended the introduction of an additional local income tax on top of a reformed Rates.

The report also offered caveats to this system which are important to consider. First, they suggested that widening the tax base would be a ‘indispensable first step’ but it would not ensure greater local responsibility alone (Committee of Inquiry into Local Government Finance, 1976, p. 79). It was also suggested that any such system must have a mechanism “to ensure that local government can be restrained in line with the needs of the economy” (Midwinter and Mair, 1987, pp. 132-133) as national government had a legitimate and ‘proper’ concern over the total levels of expenditure.

Whilst there was a clear (although unofficial) preference on the Commission for that balance of responsibility to tilt in favour of the local, the report proposed a range of alternatives paths to achieve either outcome. This call for a fundamental overhaul was as direct as it was radical, but its recommendations were largely ignored with the government at the time rejecting the need to delineate between central and local responsibilities as both undesirable and impossible. This non-decision would arguably lead the way to, and open the door for, future centralisation when public spending and ideological pressures increased.

5.3 Findings

The Green Paper that the government produced in response to Layfield’s report, *Local Government Finance* (Cmnd. 6813), was published in May 1977. Whilst acknowledging Layfield’s argument and accepting that the present relationship caused some problems, it was the view of the government that any clearer definition of rules and responsibilities would in fact cause even greater problems. Whilst the paper highlights that the dilemma for central government is ensuring local democracy whilst managing the national economy, its answer is one which clearly seeks to strengthen the role of centre, particularly as compared to the role ascribed to central government in the 1971 Green Paper just six years earlier (Hepworth, 1988, p. 293). Despite Layfield's stark warning, Labour governments under both Wilson and Callaghan chose to continue down a ‘middle way’.

5.3.1 Layfield - Doomed to Fail?

Understanding why the Commission was set up is crucial to understanding why its recommendations were ultimately rejected. Beginning first with the frenzy around LGF, one senior civil servant for the Scottish Office, Harry, cautioned that it was easy to overestimate the magnitude of the problem based on media reports alone (Harry, 2022). He described how media narratives portrayed the public mood as a whisper away from social unrest and the potential collapse of the government, which ultimately forced them into action. Harry cast doubt on this framing in hindsight and suggested that LGF was not as high on the agenda as it might appear:

> "Certainly, politicians were getting it in the neck, but inflation, wage management and macroeconomic policy were *far* more important at the time."
>
> (Harry, 2022)

Noting that changes to the form, function and funding of LG are "always a difficult area to get involved in" but "not so difficult that its best to be avoided", Harry (2022) suggested that Government simply did not have the manpower and focus to address these issues at the time, especially given the 'political insolvency' of Labour in the late 1970s. Ben (2022) echoed this, suggesting that the Callahan government had other problems to worry about namely the economy and trade unions. For these reasons, Harry conveyed a sense that Layfield was effectively dead-on-arrival, noting that there simply lacked the political will to take on any radical change of the system. Since a binary, radical choice was what Layfield had proposed, the Report was unlikely to have been accepted.

The possibility that Layfield could be rejected entirely on day one was discussed between two senior civil servants from the Scottish Office, Dingwall-Smith and Fraser, in the run up to Layfield's publication. They suggested that it is "not out of the question that they might find the proposals so objectionable that they would feel bound to state at the time of publication that they were unable to accept the proposals," although Dingwall-Smith casts doubt on this possibility, commenting that it "seems hardly likely" (NRS – SOE6/1/1037). Whilst it appears that Layfield's broader recommendations were certainly given consideration, the decision to reject the binary choice in favour of a 'middle way' was undoubtedly made swiftly. Assuming, based on Dingwall-Smith and Fraser's above correspondence, that Government received an advance copy of Layfield in the February of 1976, they spent some 15 months formulating their full response which came in the form of the *Local Government Finance* Green Paper (Cmnd. 6813) of May 1977. However, an undated statement from the Summer of 1977 (likely before recess) from Ian Bancroft, Chairman of the *Steering Group of Permanent Secretaries* (GEN6), indicates that working groups had already began considering a middle way (although not one in line with Prof. Day's *Note of Reservation*). The statement suggests that, whilst working groups had "explored without recommendation" the centralist and localist options, their proposed middle way had already won the support of the Scottish Office (NRS – SOE6/1/1037).

This rapid decision to forge a middle way is despite a general sympathy from Ministers towards a localist-type approach (NRS – SOE6/1/1036) and "strenuous efforts… to discipline any tendencies towards a centralist approach" (NRS – SOE6/1/1256) in the *Ministerial Steering Group* (GEN7). Correspondence from the official working group in question in the August confirms that, by the end of recess, Ministers had 'committed' the group to exploring this middle way as their first and foremost objective. The options proposed by Layfield were clearly not unpopular in Cabinet, but they "nevertheless recognised that the government had a proper concern for the aggregate of local spending and a policy interest in local services" (NRS – SOE6/1/1036). Although the suggestion of a middle way had won early support from the Scottish Office, the Treasury's influence appears to be the driving force here. Harry also seemed to confirm this, noting that the "budget tempers best laid plans, so the Treasury has plenty of control in this sense" (Harry, 2022). Whilst it appears that Government did give consideration to all elements of the report, it remains unclear how much influence the report could have had and, perhaps more importantly, over who.

5.3.2 Commissions, Timing and Agendas

The purpose and effectiveness of Commissions is questioned by one senior Scottish Office civil servant, Ben, when reflecting on his own time working alongside a commission and, from afar, the 2015 *Commission on Local Tax Reform*. Complaining that his own hard work had been "rubbished before they had even finished" he suggested that "it was never got any hope of going [sic.]" but that "we've [the Government] got to be seen to be doing something, and that [commissions] was one of the things we've got to be seen to be doing" (Ben, 2022). Ben went on to weave a common thread between a number of different efforts to reform local government finance noting that it was a "recurrent theme to all of this" that when officials and ministers realise how difficult it is to reform LGF, they "kicked it into a commission… because it's too difficult politically to change local taxation." (Ben, 2022).

This suggestion that the Commission's purpose was never to address the core issue but rather to stall and distract from the problem is, of course, laden with personal grievance[34]. With that being said, the Government's controlling stake over the timing of certain agendas is certainly an important tool in their toolkit (Kingdon, 1984). We know, for instance, that the Government tactically stalled their publication of the Green Paper response to Layfield to avoid electoral consequences. Internal Department of the Environment (DoE) memoranda from the 15th of March illustrate awareness of how unpopular the Government's decision was likely to be and the need to navigate the content and timeline of the announcement:

> "Our conclusion (for good reasons) is that neither course is practicable and that the Rates System must stay. But the announcement of this conclusion is not likely to be popular, and there is little public understanding of the inadequacies of any of the alternatives to rates. If the announcement is made before 5 May we are likely to be exposed to adverse, and politically biased, criticism in the press."
>
> (NRS – SOE6/1/1256)

Additional notes by the Scottish Office agree with this position, adding that Scottish Rate demands also arrive in April, with their first payments and the Scottish District Council elections both coinciding in early May (NRS – SOE6/1/1256). Peter Shore, then Secretary of State for the Environment, concluded that "at best it would be neutral, at worst very unhelpful" to announce before May, but suggest it needs to be announced shortly thereafter to allow their middle way proposals to "get an airing in a reasonably unfrenzied atmosphere" (NRS – SOE6/1/1256). The potential political implications of the Government's response to Layfield clearly weighed heavily on the decision-making process.

Although personally charged, it is not the only mention of the 'illusion of change', with another interviewee suggesting that this can also work *against* Ministers. One former senior civil servant, Robert, suggested that this illusion of change was a real barrier, insofar as primary legislation is concerned, and that complexity and path dependence mean "we live in a much more complicated world where actually what you think you're doing rarely happens" (Robert, 2022). Using two examples from their career they explored this complexity. Firstly, they suggested that politicians rarely considered the unintended

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[34] Although this view is shared by other interviewees

consequences of their reforms other than through their narrow agendas, and that even if they had, “any thoughts that they had will not have come to pass in ways that they thought they would” (Robert, 2022). They expand on this by highlighting the unintended consequences of a path-breaking reform of bankruptcy legislation in the 1980s:

> “I did work on the Bankruptcy Scotland Act in 1985 and that replaced an act that was either 1913 or 1914… we enacted [a] draft bill and it became an act. And I think there have been three, four, or five subsequent acts or amendments [to make it work], because the one thing about the 1913 or 1914 Act was that custom and practice had grown around it and probably what actually happened bore only a passing resemblance to what the Act actually said, but the system worked. And when you put a spanner in those works, *the machinery*, that had unintended consequences right the way down the track.”

Intentions and their consequences are clearly both hard to clarify and predict, yet they do have a bearing on policy reform. Moreover, this would suggest that historically contingent events make reform increasingly difficult as precedents and customs develop around a policy. This echoes a conceptualisation of path dependence suggested by Torfing (2009) which is based on ‘iterability’ and ‘layeredness’.

5.3.3 Institutional Precedent and Political Will

The Rates Crisis had sharpened the focus on what was a flawed system, but tackling these flaws would involve a complete overhaul in Layfield’s view. Such an overhaul would challenge centuries of institutional precedent and interviewees often identified the administrative and political challenges associated with a radical reimagining of the system of LGF. Some suggested reform was outright impossible (Ben, 2022), whilst others offered a more optimistic view which suggested that serious positive change could be achieved easily, so long as the more radical tendency was sacrificed in favour of more minor change to the existing system (Liam, 2022). In the case of Layfield, which was explicit about the need to challenge established practise head on, the two central barriers that emerge in the documents are political will and institutional precedent.

Although less prominent in this first case study, political challenges are perhaps the most commonly cited barrier to the reform of LGF in interviews. Phrased best by Ben, many interviewees commented some variation of:

> “You cannot change [LGF] without producing lots of winners and losers. And **losers scream and shout and the winners say nowt** and politically it's just impossible. It’s now, in my view, reached the “too difficult box” argument…”
>
> (Ben, 2022)

This would certainly be the case for Layfield. Any introduction of a Local Income Tax (LIT), as Layfield had suggested if a more localist solution was to be pursued, would have created a notably more progressive system. Such a switch would have resulted in relatively modest improvements for those at the bottom of the income scale, and considerably larger bills for those at the top end of the scale. Politically, this is challenging given that the groups poised to ‘lose’ most are also the groups most likely to vote (Gallego, 2007). Whilst a central finding from interview data and archival data in Case Study 2, this features less prominently in documents from 1975-1977. Explicitly, the introduction of a LIT was rejected on the basis that local revenues were not viewed as necessary for improving local accountability and for demonstrating no clear advantages in the eyes of the government (Department of the Environment, 1977, p. 18). Yet archival documents appear primarily concerned with the effect on the level of central control which would be sacrificed by adopting such a system. Relatedly, they highlight political will as important in changing a system that is based on decades of institutional precedent, rather than the political will to defy the ‘loud losers’.

This is never better exemplified than in GEN6’s report on attempts to forge a more clearly defined middle way, an option already diluted as compared to a more centralist or localist direction of reform. In seeking to define more clearly the respective roles of local and central government within a framework of fluid co-operation, the working group concluded that “the Government’s past and present method of working was incompatible with a clearer definition of responsibilities” and that “it was *inevitable* that this state of affairs would continue” (NRS – SOE6/1/528/1, emphasis added). Expanding on this issue GEN6 Chairman, Geoffery Chipperfield, went on to suggest that any possible challenge to this “could only be brought about by ‘an act of political will’ to break out of past habits and tradition” but that “there was no reason to suppose that the Government was currently in the mood for such an act” (NRS – SOE6/1/528/1). The barrier here which political will was needed to overcome is arguably the institutional practises that had emerged through decades (and indeed centuries) which had produced a system of strong central government.

For the working group, they could not envisage a future that sustained any degree of central restraint, considering the existing trend of central government intervention.

It would also appear that the scale of this challenge had an adverse impact on the spirits of those attempting to overcome the gravity of the institution, leading to a sense of futility. Even before attempting the task members of the Working Group, namely Pelling and Dingwall-Smith, complain that the work schedule ahead of them on the middle way contains "major… and difficult questions" and includes "unwelcome new tasks" which are "a bit of a bore" (NRS – SOE5/1037). After attempting to pursue a more clearly defined middle way for three months, Chipperfield reported in the October of 1976 that:

> "Their pessimism about the possibility of [the middle way] was in marked contrast with the hopes they had expressed in July, as was their apparent satisfaction with the present state of the centre-local relationship… Summing up, the Chairman said that the group were if anything more pessimistic than the paper implied about the possibility of an across-the-board redefinition of responsibilities"
>
> (NRS - SOE6/1/528/1)

The source for this pessimism was to be found not only in the institutional barriers to reform which stymied their efforts, but also in the lack of political will to challenge these barriers and the helplessness this seems to trigger. Such 'half way' approaches are common for this exact reason, although attempts to forge a middle course between centralisation and local autonomy regularly run into problems. As Frug (2014) explores in the American context:

> "The idea is to come up with a list of topics and allocate the topics to the appropriate level of government. Under this view, some issues are properly dealt with by the city, some by the region, some by the state, and some by the federal government. The problem with this middle course is coming up with the list. Name an urban problem and try to locate it in only one level of government. It will rapidly become clear that the problem is simultaneously a local problem, a regional problem, a state problem, and a national problem."

The core problem, as identified by Frug and as encountered by officials, is the challenge of codifying the relationship between central and local government. This is as much a practical problem as an institutional one, although others remain more optimistic about the potential to codify this relationship. As identified by Copus (N.D.), the lack of a constitution in the UK does not rule out the potential to more clearly define responsibilities, but that any such agreement with a view to strengthen local government would necessarily “limit central government power and room for manoeuvre and see a shift from notions that all power and supremacy rests in Parliament” (*ibid.* p. 2). These incompatible demands were encountered by officials.

5.3.4 The Scotland Act 1978

At a UK-level, interviews suggested that political will, economic challenges, and institutional forces acted as the central barriers to reform. Correspondence in the archives suggests another, Scotland-specific, barrier to reform in the Scotland Act of 1978. Whilst this original foray into devolution never came to fruition, its looming presence appears to have both influenced the debate and deferred action. This both limited the proposals from Layfield, who would not speculate as to the specific devolution proposals before they were published, and meant that decision-makers deferred their choices to an expected Scottish Assembly.

The position in Scotland was already quite different for a number of reasons, even before the development of the devolution proposals. Layfield noted that the drift towards centralism had been even more marked in Scotland as a result of the faster expansion of local government services (and thus central grants), a greater proportion of spending being capital spending (which was subject to tighter central control in the first place), and a smaller number of local authorities (which allowed for closer oversight). However, the arrangements in Scotland were such that many of the organisational measures necessary for a more centralist system outlined by Layfield already existed. At the same time, archival documents note that some of Layfield's suggestions to improve the Rates themselves were already met in Scotland (NRS - SOE6/1/1256) such as the communication of spending decisions in bills or the ability to pay in instalments. Indeed, some commentators were proud of this fact as well as the Scottish influence on the commission in terms of membership and best practise recommendations (See *How Layfield Looked Where Scotland Leads'* - Municipal and Public Services, 1976)[35]. Additionally, both archival and interview material suggested that the closer relationship in Scotland was viewed as a *positive* (see Section 5.3.5).

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[35] Available in NRS – SOE6/1/1037

However, full engagement with Layfield and LGF more generally was "rather overshadowed by the Scotland Bill," with the Scottish Office view being that "any significant changes in the system should be for the Scottish Executive and Assembly to decide and implement" (NRS - SOE6/1/1047). This position is generally supported in civil society, with some bodies (such as the Scottish Trade Union Congress) refusing to submit evidence to the 1977 Green Paper until they had seen any proposals that the forthcoming Scottish Assembly might have on LGF (NRS - SOE6/1/1047). At the time of reporting, the proposals in the Devolution White Paper (Cmnd. 6384) suggested that no tax raising powers were to be devolved (which would remain true until the Summer of 1977). Layfield acknowledged that this challenge in the Commission's report, but suggested that this was all the more reason for a swift decision before devolution which provided local authorities with a wider tax base which "would open up the possibility of devolving more responsibility to local authorities in Scotland and Wales [but] would not preclude the Assemblies from exercising closer control over local authorities if they wished to do so" (Committee of Inquiry into Local Government Finance, 1976, p. 88).

During his interview, Harry downplayed the significance of the Scotland Bill, noting that the package of devolution being offered to Scotland in the 1970s was considerably less than what was eventually delivered in the 1990s (Harry, 2022). He did however suggest that the expectation of devolution did add an extra dimension to the decision making in Scotland but suggests that it is unlikely to have made much difference considering the limited range of potentially devolved responsibilities at the time (*ibid.*). A draft note between permanent secretaries confirms this, highlighting that in the moment of initial decision-making new sources of revenue and borrowing for LGF were to be reserved and thus not for any assembly to decide upon. Any rejection (for instance of LIT) taken down for England and Wales was "therefore taken to apply to Scotland" as well (NRS – SOE6/1/888).

This is confirmed later in the document in which it is stated that "the whole of LGF in Scotland, other than new sources of revenue and control of borrowing, is to be devolved: thus, most of the ultimate decision on Layfield in Scotland will fall to the devolved administration" (NRS – SOE6/1/888). Whilst this initially seems to misinterpret the consequences of any 'ultimate decision' (which would necessarily involve a change in financial arrangements) this position seems to be evolving by the following year reflecting the debates around the proposed new assembly. A note by G. B. Baird of the Scottish Office to GEN6 in February 1977 clarifies:

> “The Scottish position vis-à-vis Layfield is, generally, that it will be for the new Scottish administration, post-devolution, to work out its own relationship with the LAs and determine the financial instruments which form part of this policy.”
>
> (NRS – SOE6/1/528/1)

This would suggest that by February, both the ‘ultimate decision’ on Layfield *and* the financial tools to implement such a decision were for a new Scottish administration to decide in the minds of officials. The principle of tax raising powers would not appear in writing until a draft Bill in the November of 1977, but the provision would ultimately not command enough support to stay in the Bill and was dropped in later readings. Whilst less surprising by 1977, the immediate reception to Layfield’s proposals in 1976 (before there was to be devolution of revenue raising powers) was to defer which suggest that the exact nature of the decision-making capacity was irrelevant to the Government’s willingness to stall.

This decision to defer with devolution on the horizon may seem like the ‘right’ thing to do. However, two additional facts do suggest that, at the very least, the Scotland Bill was very fortunate timing insofar as the Scottish position was concerned. The first is that documents from GEN7 raise the issue that “in England, there has been pressure for early legislation, and so no doubt for an early solution” (NRS – SOE6/1/1256). In exploring the counterfactual then we might assume that had Scotland been in the same legislative boat as England (i.e. not facing devolution), there is a possible outcome that sees an earlier resolution to Layfield (although perhaps not a different one). The responsiveness to this pressure also suggests another counterfactual, where a less acquiescent COSLA (see Section 2.5) could well have pushed the government into both quicker *and* greater action had they formed a unified front with their counterparts in England, or at least accepted Layfield’s argument.

The second is a hint to be found in a letter between two Scottish Office officials which suggests that they had been tactically deploying the Scotland Bill to defend any stall in Scottish decision-making:

> "My tentative view… is that we should revert to the line taken in 1976 and early 1977, prior to the failure of the timetable motion on Scotland and Wales Bill, that is to say, the line should be that any significant changes in the system of LGF requiring major legislation will be for the Assembly to consider."
>
> (NRS – SOE6/1/1047)

Interviews did not elaborate on this specific issue, although Harry (2022) did imply that the recent reorganisation may have served to dampen enthusiasm for taking on any major task with regards to local government finance. They speculated that any reform of local government requires consistent focus and manpower and, having only just completed a major overhaul to the structure, there was little appetite to take on such a task again. At the very least, these two statements suggest that Government welcomed the opportunity to defer judgement to the proposed assembly.

5.3.5 Centre-local Relations

Evidence from interviews suggests that, despite centralisation, there were healthy relationships between central and local government. A sense of "genuine partnership" particularly between the Scottish Office and Strathclyde Regional Council (which held a *de facto* leadership role throughout the years) ensured mutual respect and efficiency in Scotland (Harry, 2022). This meant that the Scottish Office could count on LAs as natural allies in challenging shared circumstances, such as high inflation (NRS - SOE6/1/883). Although some interviewees criticised the quality and effectiveness of organised discussion (that is to say, between the Secretary of State and COSLA), there was broad agreement that at an official and practical level, there were strong working relationships between central and local government. These strong professional relationships resulted in a unique centre-local relationship in Scotland that was seemingly not reflected in England at the time. This unique relationship produces unique consequences and conditions as will be explored.

Several interviewees describe the positive, informal relationships between themselves as civil servants and various levels of local government representatives. Robert (2022) reflects that he had strong relationships with local government because, beyond official working meetings, officials in the Scottish Office were regularly invited to local government events and conferences. Moreover, Robert suggested that some of his closest professional relationships were with chief executives, owing mostly to the regular

invitations extended to officials in the Scottish Office to attend Society of Local Authority Chief Executives (SOLACE) events. These close relationships were clearly advantageous to both central and local government; Archie (2022) describes how those improved links in turn allowed him to manoeuvre otherwise out-of-touch colleagues from central and local government into ‘away days’ together to foster better relationships.
This relationship also allowed for mutual risk avoidance through shared working. Documents from the archives describe how Scottish Office officials shared draft Green Papers with the Secretary of COSLA on a strictly personal basis in order to address any discrepancies and to provide “some advance notice of points which the Press might well take up with him at a later stage” (Fraser, 1977). This sentiment is also echoed by Archie who agreed that “there had been a long history of quite close collaboration between bits of the Scottish Office and the relevant services in local government” (Archie, 2022). Expanding on this, he remembered fondly that “you [knew] them all by Christian names and you [could] phone them up and say, if we write you a letter which says X, Y, and Z would we be right in thinking that you would write back saying A, B, and C?” (*ibid.*). Clearly at an official level, relationships were successful in Scotland.

Despite these close relationships, Robert is careful to remind that these conversations and relationships were still formal and beholding to the nature of centre-local loyalties. He notes that “at a practical level, there was good discussion” but that talks were also “challenging… you never expected an easy ride [and] sometimes you got mugged… but you did get invited and you did your bit” (Robert, 2022). These centre-local loyalties also seem to have taken front and centre stage for the more formal discussions which took place on record between COSLA and central government. Robert reflects that “I'd say in my career, I don't think I've seen mature discussion at a political level happening between the collective of local authorities in Scotland and central government” (*ibid.*). Ben also agrees with this, noting that throughout his career, the roundtable discussion recorded in the archives “were fairly formal meetings, but you know, ministers just got through them as quickly as they could” (Ben, 2022). Asked whether these meetings had actual purpose or were just for show, Ben answered,

> “Yes. It was a show. There was a requirement to have them but they had made, you know, they'd made [their minds up].”

Central government (as represented here by the Scottish Office) appears to have little time for COSLA at this level. Considering the close working relationships behind closed doors, the reason must be political. One possible suggestion for this is that local authorities, as the only other democratically elected government bodies in the country, had the potential to become “alternative political forces” (Robert, 2022). Another could simply be that each was leaving the door open to deflect blame should the need arise, given their shared responsibility and strategic ambiguity.

It is difficult to conclude the extent to which these positive informal but fragile formal relationships were the result of political posturing. The fondness with which interviewees remembered this era, especially when compared to every decade thereafter, suggests that on balance this time represented a golden era in centre-local relations, although this could be just rosy retrospection. Whilst interviewees remembered this period fondly, it would appear the (perceived) strength of this relationship may have ultimately stymied reform attempts by upholding the existing institutional relationships. This is perhaps clearest in COSLA’s outright rejection of the Layfield Report recommendations, a position which contrasts markedly to its English counterparts. A lengthy memorandum from COSLA is scathing of the Layfield report, accusing the Commission of being preoccupied with the extremes of centralism and localism, rejecting the need for a choice to be made, and accepting of the ‘fact’ that central government intervention is bound to continue (NRS - SOE6/1/734).

Their position was that it was impossible to reinstate the local autonomy of old, that any other independence is impracticable, and that centralisation is inevitable (NRS - SOE6/1/888). Given this set of beliefs, they argue that rather than waste time and energy on the lost cause of pursuing enhanced localism, the nature of the pre-existing relationship should be made more explicit and developed (as was the Government’s strategy of the middle way). The wholesale rejection of a localist solution by a body representing local authority interests (in stark contrast to their neighbours south of the border) is surprising and represents a position which even some cabinet ministers appear to have sought to avoid (NRS – SOE6/1/1256). Whether this COSLA position reflects pragmatism, pessimism, or realism is not clear.

When asked about the unexpected position held by COSLA with regards Layfield, Harry was less surprised, pointing out that local authorities (especially Strathclyde) were “invested in the present arrangement which [worked] for them”. He suggested a reluctance to change the financial system for fear that the end result would be worse than the present arrangement (Harry, 2022) – ‘rather the devil you know’. This was clearly welcomed by central government who were glad to avoid confrontation, with internal documents downplaying any potential threat from the LAs in Scotland (NRS - SOE6/1/1256). Given the direction of travel (which COSLA correctly identify), it could be that this response and realistic approach was itself a political gamble to curry favour with central government, especially with possible devolution arrangements on the cards.

Ministers were in agreement that “strenuous efforts should be made to discipline any tendencies towards a centralist approach…” and made efforts to prevent their proposals effectively representing a “drift into centralism” (NRS – SOE6/1/1256). Despite this, and COSLA being “very much in tune” with the government on the handling of the Layfield Report (NRS - SOE6/1/1047), the Green Paper which followed failed to reflect these positions. The Green Paper(s) were ultimately viewed as favouring greater centralism and were poorly received by local authorities, with an internal report recording the “disappointingly negative response from local authorities” (NA – T380/488).

5.3.6 Emerging Themes

The findings from this case study can be reconceptualised into three emerging themes which shed light on agendas and the process of reform:

Institutional Gravity

> The incompatibility of reform options with the hitherto standard model were viewed as a central barrier to overhauling local government and its financing. Interestingly, even the difficulties in the pursuit of the middle way came as something of a surprise to the officials tasked with this objective. This may imply that, despite having an unrivalled knowledge of the institutions and systems involved, the extent to which their practices and process had become imbedded was something of a shock. Evidence suggests this created an institutional resistance to change which was unable to be overcome or circumvented. These forces, which reflect the centralist tendencies of the British Political Tradition, appear to limit earnest efforts to reform local government finance. It was not that the reform proposals were impossible, but that they were such a deviance from established practise that they would require an abundance of concerted energies to escape these forces. To reimagine this - these forces, which pull towards the centre, may

otherwise be thought of as an 'institutional gravity'. To escape this strong gravity would require an even stronger force which appears to be lacking in this instance.

It could be that the necessary force to escape the institutional gravity was that of political will, a key factor that was lacking in this case study. Interview and archival data differ in their explanation of the role political will plays, and the extent to which institutional forces can be said to limit this political will for reform. Data form this case study alone is not enough to determine whether either of these arguments hold, but it could tentatively explain findings thus far. Nor is it necessarily clear at this stage why the Commission would be set up in the first place if reform was never possible. It could be that, as above, key decision makers were unaware as to the extent of institutional forces or, as some interviewees suggested, the commission was itself an instrument to avoid action. It may also lie somewhere in between the two, which could explain the need to "be seen to be doing something" or the "illusion of change".

Constitutional Considerations

Evidence suggests that decision-making was 'paused' in Scotland in expectation of an incoming devolved Scottish Assembly. Whilst this never came to fruition, it had an adverse impact on the process, effectively quashing substantial local government finance reform. Some evidence suggests that, had this not been the case, legislation may have arrived sooner. As it stands, policymakers deferred the issue in the view of potential changes to the existing model of multi-level governance, suggesting that LGF was relegated down the agenda in the face of constitutional change. Again, it is not clear at this stage whether this was a reflection of the importance of devolution or rather a tactical decision to delay action.

Given the potentially historic significance of devolution, it is not difficult to imagine why leaving reform to the new institution would have been the 'right' thing to do or, rather, why pushing through major reform in the final months of control might be viewed as the 'wrong' thing to do. Given the positive relationships between the Scottish Office and COSLA at the time, such a move would come as something of a surprise if nothing else. However, archival evidence suggests that, at the very least, the timing of devolution was fortunate for the Government. Devolution would allow them to defer responsibility for any tough and unwelcome decisions and allow them to focus on other problems of which there were plenty. Regardless of whether this was deliberate or not, it could be argued that matters of local government finance are therefore of secondary importance to matters which concern the wider configuration of governance.

Centre-Local Relations

The comparatively positive centre-local relationship described in both interviews and archival documents allowed for a relatively consensual strategy of governance, and one in which local government was content to 'do its part' as natural allies of central government. As can be seen from the evidence this allowed for more effective lines of communication, negotiation, and partnership. This relationship was clearly strained during periods of crisis, particularly when local authorities were viewed to be spending above centrally set guidelines, yet even in these exchanges there was clearly respect and patience. Whilst it is not clear that such a relationship was the direct reason for COSLA's unexpected rejection of Layfield, it is unlikely that it had no bearing whatsoever on this decision given that the existing arrangement was working for both parties. This meant that the central government response was frictionless, in Scotland at least.

The strong sense of partnership between central and local government was in many ways unique to both Scotland and to the era in question. Archival evidence shows a far more confrontational (and fragmented) relationship between the centre and local in England. Interview data confirms that it was perhaps no surprise Scotland given the quality of the relationships at a personal level, partly owing to the size and scale of the Scottish policy community. Such a dynamic has been seen rarely in Scotland in the years since, even when there has been party-political congruence across different levels. Whether this positive relationship ultimately had any bearing on the final outcome remains debatable. Whilst it was welcomed by central government and allowed for a relatively frictionless response, the counterfactual that the government response would have been different (knowing how this proceeded in England) is unlikely.

These themes suggest that local government finance has complex and overlapping influences which hamper attempts to reform it. In isolation, these findings and themes broadly help us understand *continuity* – institutional gravity is too strong, constitutional considerations too important, centre-local relations too ‘positive’, to produce change. In the following chapter, these themes will be developed and reconsidered to understand how they can also explain *change*.

6 Case Study 2: 1989-1991

The 1980s were a period of considerable social, economic, and ideological change. Having failed to enact significant reform in the wake of Layfield, and without the anticipated devolution of the Scotland Act, local government and its financing in Scotland and the UK would become a key battleground on this broader landscape of change. The rise of Margaret Thatcher from 1979 reshaped the Conservative Party into a neoliberalising force which sought to reduce public expenditure through the introduction of market-oriented strategies into the public sector. Having pledged to protect spending in social security and health, local government was a key target to deliver substantial economies. These were justified by the public complaints which had emerged in the Layfield Report that local government was overspending, overstaffed, and inefficient (Commission of Inquiry into Local Government Finance, 1976, pp. 3-8). As a result, reforms designed to control, constrict, and consolidate local government financial freedom would gradually tighten over the next decade (Section 6.1).

Following the adverse reaction to the 1985 Scottish revaluation (Section 6.2), Thatcher looked to find a more total solution to local government finance in her third term. In the belief that accountability to the electorate was the key to curtailing local government power and spending, Thatcher would introduce the Poll Tax first in Scotland in 1989, and then in the rest of the UK in 1990. Alongside this massive overhaul of Local Domestic Tax Policy (LDTP), a package of reforms which reshaped the grant system and removed Non-Domestic Rates from local control also contributed to the total reshaping of LGF.

These reforms are a story of mixed success and great cost (Section 6.3). Whilst the wider package of reforms introduced alongside the Poll Tax embedded successfully and still have an enduring impact on LGF in Scotland, the *Poll Tax* as it would come to be known, was hastily implemented and lasted only 2 years before the decision was taken to replace it as a result of low collection rates, national protests, and struggling local budgets. The resignation of Maragret Thatcher, which the Poll Tax had precipitated, was a key step in this process (King and Crewe, 2013). In its place, the new Council Tax emerged as the leading contender with little opposition. Its emergence, swift adoption, and lasting endurance (compared the Poll Tax) is one of the most remarkable and significant changes to LDTP in decades. In singling out this moment of reform as the key outcome of a critical juncture, this chapter looks to explore the origins and evolution of the Council Tax, how it came to be the leading contender in the wake of the Poll Tax's collapse, and how its successfully embedded into the British system. In doing so it will explore the pre-conditions of its emergence, the key decisions taken by political and policy actors in its drafting, and its rapid installation.

6.1 LGF in the 1980s

Layfield's analysis, that incompatible demands of local discretion and central control were being placed on the LGF system, were "largely ignored" by consecutive governments (Smith and Squire, 1987, p. 5). In the later years of the decade, Labour's wafer thin and disappearing majority would not prove fertile ground for alternative reforms to local government finance and by 1979 British politics was consumed by inflationary pressures and industrial policy following the 'winter of discontent'. A core pillar of Thatcher's 1979 campaign, and the first of her manifesto pledges, was to control inflation (Conservatives, 1979). Over the medium term, this involved reducing the deficit as a share of GDP primarily through a reduction in state spending (Buiter and Miller, 1981, p. 317). Given that local government accounted for such a significant proportion of public expenditure, reducing its overall spending would be essential to achieve their economic policy goals. This goal, pursued through free-market strategies, was pursued with a single-mindedness which "border[ed] on religious fervour" (Stephen, 1984, p. 82). Stewart and Stoker (1995, pp. 3-4) summarise the key themes of the Conservative programme as they related to local government in Table 12.

Table 12 Key Themes of the Government Programme 1979-1995

Theme	Consequence
Financial Constraint	Spending restraint producing either real cutbacks or failing to keep pace with rising need. Accompanied by increased focus on efficiency and value for money.
Fragmentation of Local Government	Shared service delivery, increased reliance on arms-length and third sector bodies; removal of responsibilities.
Commitment to Competition	Introduction of compulsory competitive tendering (CCT) and a greater emphasis on market-oriented private provision.
Closer Links between Paying for and Receiving a Service	Increased use of charges and attempts to 'increase the net of contributors to local government,' most obviously through the Poll Tax.
Customer Choice	Citizens increasingly viewed as customers; public services increasingly viewed as goods in a free market to be consumed. Attendant focus on accountability and value.
Business-like Management of Local Government	Adoption of commercialism ethos through target setting and performance review at all levels.
Local Authorities as Enablers	Separation of responsibility for a service from the act of providing the service; LAs working with and through other bodies.

With local government accounting for 28.1% of public expenditure (Horton, 1990, p. 172), rolling back this arm of the state was a core focus for the incoming Conservative Government which viewed it as 'wasteful, profligate, irresponsible, unaccountable, luxurious, and out of control" (Newton and Karran, 1985 cited in Midwinter and Monaghan, 1993, p. 3). Midwinter and Monaghan (1993), developing Rhodes (1984), note that there was a great deal of continuity in both strategies and outcomes of Callaghan's Labour and Thatcher's Conservatives in the first few years, but that a more divisive rhetoric immediately differentiated the post-1979 approach. In the wake of the economic crises of the mid 1970s, Labour's own controls had begun to curtail the rate of local government growth from its peak in the previous decades through the use of cash limits and expenditure guidelines (Midwinter and Mair, 1987, p. 34); the new Conservative Government incorporated and extended policies such as grant penalties and rate capping (*ibid.*).

With their own mandates and autonomy, local government also represented an alternative source of political power in the UK which acted as an avenue of resistance for opponents of the Thatcherite reforms. In Scotland, these power centres were to be found in the regional councils, particularly its two largest - Strathclyde and Lothian. Representing over 2 million people (half the Scottish population) and employing over 110,000 people at its peak, Strathclyde was regarded as a ‘beast’ by its admirers (Brian, 2023) but an embodiment of bloat by its detractors. Strathclyde was dominated by Labour throughout its entire existence, never securing less than two third of seats. In this sense, Strathclyde represented a political challenge to Conservative reforms throughout the decade. Lothian similarly became a flashpoint despite less concrete Labour dominance. The emergence of a cohort of young, assertive ‘New Left’ councillors in local government stood in stark contrast to the concentration of Scottish Conservative MPs in the Edinburgh conurbation (Midwinter and Monaghan, 1993). At district level, the leftwing of the Labour Party also briefly controlled Edinburgh City Council between 1984 and 1986, where they sought to follow the lead of more radical and militant councils in Liverpool and Greater London (Kerevan, 2021).

Whilst the politics and strategies often differed between the two regions, the influence and power of the central belt was undeniable – “when Strathclyde spoke, people listened, but equally if Grampian spoke or Lothian spoke, then people [also] listened” (Brian, 2023). When this voice was not in harmony with the national government, it presented a threat. The widely held view of centre-local relations in Scotland until 1979 was that the smaller scale resulted in a ‘closer and more corporate relationship’ in Scotland as compared to England (Midwinter, Keating and Taylor, 1984, p. 21), an assessment largely supported by primary source material from the previous chapter. Layfield’s analysis of the Scottish model of LGF demonstrated how the relatively high levels of (easy to control) capital expenditure, greater reliance on central transfers, and unique grant formula were ideal conditions for political manipulation and control (Committee of Inquiry into Local Government Finance, 1976, p. 87). For these reasons, Layfield concluded that Scotland was already more centralised than England or Wales. Rather than being predictably amenable to the Thatcher-era reforms, Midwinter, Keating and Taylor (1984, p. 21) note that by 1981, the position in Scotland was “considered problematic” by the Conservative Government for failing to deliver the same expenditure reductions as England and Wales. Whilst spending as a share of GDP did decrease, spending rose in real terms.

6.2 The Need for Reform

Average rate increases of 30% in 1980/81 and 34% in 1981/82 for Scotland had upset ratepayers and influential figures of the Conservative Party, but the review in 1981[36] concluded that whilst the government was “fully prepared to propose the abolition of domestic rates… no consensus can be found for an alternative” (DoE, 1983, p. 14). The 1981 *Alternatives to Domestic Rates* Green Paper covered much of the same ground as the Layfield Commission, and many of the challenges highlighted were similar to those raised in the 1957, 1966 (and 1971) White Papers (Travers, 1986, p. 113). Whilst the burden of the Rates remained the main focus in the paper, the 1981 paper suggested the main issue now lay in that some people (those least well off) were paying little to no tax at all (*ibid.*). This differs from previous papers which highlighted the regressivity of the tax as the main flaw. The paper looked at several alternatives that had been explored before, such as local sales and income taxes, as well as the assignation of national taxes and possible reforms to the Rates. The most original contribution it offered was the consideration of a Poll Tax. Whilst it had been mentioned briefly in the 1971 Green Paper, this 1981 paper offered a detailed examination.

They suggested that a Poll Tax could be levied against different criteria – such as every elector, every person with an income, or on every adult. Without significant exemptions, it was calculated that a tax of approximately £120 per head (on every adult) would raise a sufficient amount to replace the Rates. The Green Paper concluded however that “a flat rate annual capitation charge of this order of magnitude would almost certainly not be a practical proposition,” however they did see value in it as a supplementary tax (Department of the Environment, 1981, p. 37). They identified two challenges in the assessment of individuals – using the electoral register may risk dissuading people from registering to vote, and creating a separate register would increase the cost beyond that of administering the existing Rates (*ibid.*). They also noted, in approval, that the tax was highly visible and that this would increase accountability (*ibid.*, p. 38). Travers (1986, p. 124) argues that whilst interesting, its analysis did not advance beyond well-versed arguments. Echoing a familiar argument from Case Study 1, Travers (1986, p. 125) goes on to suggests that “the Green Paper had been used deliberately to put off the day when action had to be taken… [it] served its purpose by diffusing opposition to the Rates for another two years”.

[36] Which produced the *Alternative to Domestic Rates* and it’s subsequent White Paper in 1983

After the 1985 Scottish Revaluation, serious attention was once again paid to replacing the Rates. Having delayed the revaluation in 1983, the full (domestic and non-domestic) 1985 Scottish revaluation was the first in seven years and proved to be a disaster for the Scottish Conservatives. The revaluation considerably shifted the burden from non-domestic to domestic ratepayers and led to increases of more than 33% for over 100,000 households, as well as producing fluctuations in the commercial and industrial sectors (Fairley, 1988, p. 50). Although some accounts do not note these events as part of the origin story of the Poll Tax (Wilson, 1991), it clearly had a number of consequences which produced renewed interest in reform as explored by Fairley (1988, pp. 50-51):

- Outrage from a range of domestic and non-domestic ratepayers, many of whom were traditional Conservative voters
- This contributed to a fear of a similar (and even greater) reaction in England and Wales, where a full revaluation had not occurred for 12 years
- The Regional Council elections in 1986 saw the Conservatives lose control of Tayside and Grampian and serious reverses elsewhere (notably Lothian). Conservative councillors attributed this to the events of from the previous year.

A senior official in the Scottish Office later reflected that these challenges had been a key part of the Poll Tax's origin story:

> "A conference of Scottish Conservatives was held at Perth at the end of April 1985. The then Secretary of State, Mr Younger, took the complaints about the revaluation very seriously. He responded by announcing at the conference that the time for change had come and that the status quo was not an option. Ian Penman [Scottish Office civil servant] remembers this as a critical stage in the process which led to the 1986 green paper."
>
> (NA – T599/52)

These were compounded by a challenging party conference in 1985 which demonstrated the dissatisfaction from both MPs and members and a "growing campaign of protest"

(Smith and Ridge, 1991, p. 8) which was presented as *widespread* public outrage by the media[37].

In the background to this crisis, work was quietly underway by a small review team of ministers and civil servants to consider the question of reform. This team, spearheaded by junior minister William Waldegrave, considered exploring a range of taxes but quickly focused their energies on a poll tax as the only means of achieving the complete abolition of the grants-and-rates system which had existed hitherto (King and Crewe, 2013, pp. 45-48). Their conclusions, presented to an infamous meeting at Chequers on the 31st of March 1985, were embraced wholeheartedly by the Prime Minister and a small group of hardline supporters (notably missing from this meeting was the Chancellor, Nigel Lawson) and work began in earnest in operationalising it. The entire process had proceeded at pace and 'entirely inhouse, within one corner o the already secretive and secluded world of Whitehall" (*ibid*., p. 50)

The *Paying for Local Government* Green Paper (Cmnd. 9714) in 1986 was the product of this work, designed to finally address the problem of local government finance in the UK. The 1986 Green Paper outlined the Government's proposals for "thorough reform of local government finance with major changes to grants, business rates and local authorities' capital expenditure" (Winetrobe, 1992, p. 421). This entailed the 'nationalisation' (and central pooling) of Non-Domestic Rates (NDR), effectively removing them as a local tax altogether, and a new flat-rate per head grant for transfers over and above equalisation purposes. Spearheading this package of reforms was a replacement to the Domestic Rates called the *Community Charge*, or 'Poll Tax' as it would come to be known.

The argument behind this package of reforms was that the existing systems delivered weak accountability as a result of an unsatisfactory system of grants and rates. The paper argued that marginal local authority spending was being subsidised by business ratepayers, thus providing an incentive for other members of the community to vote for higher spending since the burden fell elsewhere. Moreover, the system of rents and rebates had distorted the relationship between taxes paid and benefits received which reflected a "mismatch between those who are entitled to vote in local elections, and those who benefit from local authority services" (Department of the Environment, 1986, p. 69). Moreover, the system of

[37] Evidence from primary and secondary (Midwinter, Mair and Ford, 1987) source material challenged the extent of the outrage, suggesting instead that the pressure came from small but politically active groups within the business sector and homeowners/ratepayers associations

rebates and discounts meant that some Sections of the electorate paid little to nothing towards the ‘universal’ services like refuse collection and roads. In Scotland at the time, the electorate was 3.9 million, with 1.9 million adults liable to pay rates. Of that figure, 400,000 paid no rates at all whilst a further 400,000 received a partial discount (Fairley, 1988, p. 53). This was viewed as unfair[38]. However, as Fairley (1988, pp. 52-53) suggests, there is “no evidence to suggest the proposition that electors vote for high spending policies because they will not have to finance them”.

6.3 The 1987 and 1988 Acts

The Poll Tax was a flat-rate tax on every adult in Britain introduced in Scotland from 1989/90 and the following year in England and Wales, Originally to be phased in alongside the Rates over a number of years (Gibson, 1992), this shift in burden from *household* to *adult* sought to remain revenue neutral in terms of the total revenue raised across the country but nearly doubled the incidence of local taxation. The original timelines allowed for a gradual phasing in (‘dual-running’) of the tax which allowed for an adjustment period for local authorities whose finances would change as a result of the new grants and *National* Non-Domestic Rates (NNDR) arrangements. Combined with so called “safety netting” transitional arrangements, these insurance policies were to offset the worst inter-authority fluctuations (Travers, 1995, p. 15). The new local tax was hailed the ‘flagship’ of Thatcher’s third term, reflecting the ambition its architects had for the reforms.

Although the phasing in was always to be a challenge, the final, rushed implementation of the Poll Tax was a disaster (King and Crewe, 2013), especially so in Scotland. Abandoning the original transitionary arrangements in response to her unexpectedly emphatic victory in 1987 and the increased costs of such an approach, the decision was taken to switch entirely from Rates to the Poll Tax in a ‘big bang’ approach. This was to happen first in Scotland (in 1989) and then a year later in England and Wales. The Government was “convinced that there [was] a demand for early action on reform of local government finance in Scotland,” although this may well have been to placate Scottish Conservative councillors who viewed the tax as their ‘electoral saviour’ (Fairley, 1988, p. 51).

[38] A different interpretation of fairness here as compared to the arguments outlined by Layfield who focused on ability to pay

The Poll Tax was indeed a radical restructuring of local government finance, but not the electoral saviour which had been hoped. The combination of the 1985 Rates Crisis and 1986 local election results expediated the introduction of the Poll Tax in Scotland and the Abolition of Domestic Rates Etc. (Scotland) Bill was introduced to Parliament at the end of that year, becoming one of the final pieces of legislation to be introduced before the following year's election. It gained Royal Assent on the 15th of May 1987, two months before an expected electoral wipeout for the Conservatives in Scotland. This acts significance is two-fold. Not only was it a landmark change in the operation of local taxation and finance, but its 'big bang' introduction in Scotland *a year earlier* than in England and Wales was highly controversial.

The extensive nature of the reforms, which had already attracted considerable criticism, were guaranteed to be problematic even with a perfect rollout (Fairley, 1988). So, the decision to expose the Scottish electorate to this hardship a year early (and extra) led to a widespread belief that the Conservatives were 'getting their own back' and punishing Scotland (Lavalette and Mooney, 1989, p. 82) by using them as "guinea pigs" for England (Martin, 1987). Whilst there is limited evidence to suggest this was actually the case (Scottish Conservatives urged Thatcher to introduce it early to stem electoral losses, whilst it was pressure from local government and the opposition to reduce costs and administrative confusion which contributed to a 'big bang' introduction), the narrative stuck. This produced widespread outrage and galvanised a wave of political action which reshaped Scottish politics when (un)anticipated problems came to fruition.

Problems which had been identified in advance quickly became a reality. Since 1985/86, there had been acute rises in local taxation due to a combination of harsher grants forcing a greater burden on domestic ratepayers, double the expected rate of inflation (Smith, 1991b, p. 428), and a sharp rise in costs as a result (Gibson, 1992, pp. 67-68). This sudden increase in the local tax burden in the final five years of the Rates meant that estimates calculated in *Paying for Local Government* were now redundant, as the average level of tax had risen from £160 to £275 per adult in England (*ibid.*). Additionally, the administrative costs of introducing and maintaining a dynamic register of all liable persons coupled with the problems of collection both increased costs and reduced yield (Midwinter, 1995), as had been predicted in 1981. As a result, the original estimates proved to considerably short of the final costs for both taxpayers and local authorities.

The combined inflationary pressures, tax burden miscalculations, and 'big bang' implementation resulted in sky high tax bills for a majority of taxpayers with the average Poll Tax bill being approx. 30% higher than estimated at £363 (Gibson, 1992, p. 69) and with 'losers' outnumbering 'gainers' by about 4 to 1 (Travers, 1995, p. 17). This was even more striking in Scotland where the average bill rose from £339 under the Domestic Rates to £467 in 1989/90 (Hughes, 1989). The new individual liability also meant that the tax was indeed felt universally, but rather than blaming local authorities as had been hoped, anger was directed at the government in Westminster. This led to widespread opposition and in Scotland, "all the political parties, except the Conservatives declared their opposition as did 63 out of 65 Scottish local authorities, the STUC, and a range of community and voluntary organisations" (Fairley, 1988, p. 56). Nonpayment was particularly high - over 1.4 million summary warrants were taken out, whilst only 75% of the tax had been collected (Barker, 1992, p. 522). This reflected abject failures in administration and implementation (Butler, Adonis and Travers, 1994).

Lavalette and Mooney (1989) highlight that the Poll Tax's early introduction in Scotland, rather than uniformly across Britain, had major political significance north of the Border. Their analysis showcases that not only did this choice serve to increase the general and widespread anti-Tory and anti-Thatcher sentiment which had developed over the decade, but that the disunited and differing strategies to opposing the Poll Tax (cf. the *Stop It* and *Can't Pay, Won't Pay* campaigns) created space for alternative voices beyond the traditional Labour Party. The Govan by-election of 1988 saw the relatively safe Labour seat switch to the SNP, whilst more radical elements of the Labour Party would break away altogether such as the group which would eventually form the Scottish Socialist Party. Whilst united in opposition, they disagreed on the strategies to pursue and the extent to which these strategies should act within the law.

The extent of non-payment and increased administrative costs had significant consequences for local budgets which struggled to plan around the shortfalls and expenditures, forcing increased government transfers and controls (Smith, 1991b). Further, a permanent 2.5% increase in VAT to facilitate a reduction in bills by £140 for the whole country came into effect from the second year of its operation (Smith, 1991b, p. 433). This represented a permanent shift in the balance of local and national taxation. Pressures on council budgets were particularly acute in Scotland where non-payment rates were much higher than in England and Wales (*ibid.*).

The May 1990 local elections saw the Conservatives suffer harsh losses as outrage escalated with the introduction of the tax in the rest of the country. The storm around the tax, public and media outrage, campaigns, and riots contributed to the downfall of Thatcher and eventually the Poll Tax itself. Her successor, John Major, promised a full review of the system in the December of 1990, a mere 20 months after its introduction in Scotland, and by Christmas work was underway to find an acceptable replacement. In this window of opportunity, the *Council Tax* was to emerge as the new local tax for the UK. In the remainder of this chapter the origins and evolution of the Council Tax are explored, how it came to be the leading contender in the wake of the Poll Tax's collapse, and how it was successfully embedded into the British system. In doing so it will explore the disagreements and debates in the design stage, the key decisions taken by political and policy actors in its drafting, and its rapid installation.

6.4 Findings

Unlike the attempts in 1976 and in 1989, the reform of local domestic tax policy (LDTP) in 1991/92 was ultimately successful. Given the accelerated timescale in which it was introduced and the not-insignificant flaws of the tax present since its introduction, this represents something of an anomaly in the history of reform. Interview and archival data suggest a number of explanations for the emergence and endurance of the Council Tax. Three leading factors emerge as being central to the success of the reform. Firstly, replacing the Poll Tax was at the very top of the agenda for John Major's government and remained there. Secondly, the approach to both the review and consultation diffused LGF as a contentious issue, whilst simultaneously dispersing this energy across a range of other proposals in Scotland and England. Lastly, the speed of reform prevented any significant external influence on the proposals, whilst locking-in the decisions of key actors. Effective political leadership and minimal institutional resistance were both key features throughout.

On 6th of December 1990, the Cabinet officially endorsed the proposal for a comprehensive review of the Poll Tax (NA - T599/51). The process of reviewing and replacing the Poll Tax occurred over five phases.

Phase 1: Boundary Setting

The review process was given considerable administrative heft, with Cabinet agreeing that two committees would be set up to look into the matter: a 'special purpose' ministerial committee (GEN8) to steer the review, chaired by the Prime Minister, and an official-level interdepartmental Cabinet Office committee (GEN14), chaired by the Department of the Environment (NA – T599/51). The initial plan for this review was for it is to be wide-ranging and considered, that it might find a "satisfactory and durable basis for financing local government" which goes "hand in hand with establishing a sound and lasting basis for relations between central and local government" (NA - T599/51).

Phase 2: Design

Work began 'in earnest' with the first meeting of GEN8 on the 23rd of January 1991 (NA - T599/52) although it was recognised that no decision would likely be taken in this initial meeting. Heseltine acknowledged early in the process that there would be no quick fix, noting that the review itself "needs to be a thorough and well considered exercise" which would take "at the very least two to three years"

(NA - CAB 130/1434). However, Secretary of State for the Environment, Michel Heseltine, remained optimistic that they could have a set of well-developed proposals by the summer recess (*ibid.*). Thousands of hours of work went into this process, with numerous officials working around the clock designing the tax in line with Minister’s suggestions. At least five substantive proposal drafts were circulated between the DoE and Treasury, with each involving hundreds of comments and changes. The final proposals were released in the form of a consultation document on the 23rd of April.

Phase 3: Consultation

The consultation phase was short and busy, with separate consultations on finance (UK-wide), structure (England-only), and the financing of water and sewage (Scotland-only) being issued at the same time with a deadline set for the 14th of June. A separate Scottish consultation on structure was issued shortly thereafter on the 17th of June. The government received a total of 408 responses to their finance proposals, and over 500 on the structure of English local government from all Sections of society. The paper was open for public response but was also specifically distributed to 39 organisations and bodies in Scotland for comment (NRS – SOE6/1/1554).

Phase 4: Legislation

Analysis of the consultation responses was ongoing and rapid but was not expected to alter the core principles of the policy, nor did it (see Section 6.4.3). This allowed for an immediate start to legislative drafting to run concurrently to the consultation process. To enable the valuation work to commence immediately, legislative priority was given to the ‘paving’ legislation, the Local Government Finance and Valuation Act 1991, needed to equip the Valuation Office (VO) with the necessary directive and tools to begin collecting data on property values. Focusing first on this ‘paving’ legislation meant that the preparatory mechanisms could be ‘in the book’ by the summer recess to enable funds to be spent from the October onwards in anticipation of the new tax. The second half of the legislative phase (which began later in 1991) included the legislation which introduced the Council Tax itself alongside secondary legislation to enforce the new tax.

Phase 5: Valuation

In England and Wales, the mammoth task of valuation involved updating the capital values of some 21.3 million domestic properties. Two tactics were used to accelerate this lengthy process. Firstly, rather than assign an exact value to each home, properties would be grouped into bands thus allowing similar properties (a street or suburban cluster for instance) to be assessed together. Secondly, whereas previous valuations had been carried out exclusively by the Valuation Office (VO) of the Inland Revenue (IR), the 1991/92 valuation drafted in private sector to help speed up the process. By contrast, the task was considerably more manageable in Scotland than England with only 2.1 million properties. More recent valuation experience (1985), investments in computing software and hardware, and the ready availability of house sale prices (as compared to England at the time) allowed for the entire exercise to be carried out by the Scottish Assessors Association (SAA).

The core challenge for those tasked with reviewing LGF was the need to balance political urgency with acceptability. On the one hand, replacing the Poll Tax was at the top of the Government's agenda, and with public expectation and a forthcoming election in 1992 the timeframe was necessarily accelerated. On the other, the government had to design a system that was acceptable to the public, local government, and the different factions within the Conservative party. These three groups had different criteria for an acceptable tax, and threading this needle within the aforementioned timelines would be difficult.

6.4.1 Council Tax: By Design, not by Accident

Michael Heseltine and the DoE were given primary responsibility for finding a workable solution to the Poll Tax problem by the Prime Minister. However, any reform would need to be rubberstamped by the Treasury for two reasons. Firstly, the importance and power of the Treasury is such that it is "generally understood to be the most powerful organ of the British State" (Manchester Centre for Economic Policy, 2021, p. 4). Secondly, even after the nationalisation of NDR, local government revenues and expenditures were still a sizeable portion of public finances. So, debate and disagreement between these two key departments, and their Secretaries of State, would be the forces that would shape the Council Tax. In the event, input from local government or Scottish ministers would have little bearing on the design of Council Tax at all.

Early discussion about possible reforms included a spectrum of options. Andrew Edwards, a senior Treasury official, reported that John Major wished "not to reject the Community Charge completely [but] to retain its best elements, in particular universality" (NA – T599/51). Treasury Permanent Secretary, Sir Peter Middleton, added that any new system should also retain a unified business rate and also suggested that there were advantages in bringing more services under into central government, such as education (NA – T599/51). Others in Treasury circles were seriously looking at the possibility of returning to the Rates as the quickest possible solution (NA – T599/51), an option previously considered as early as May 1990 when Thatcher was still Prime Minister. GEN8, the Ministerial Steering Group, would ultimately meet eight times between January 23rd and June 13th to develop the local government review.

Heseltine (NA – T599/51), in his inaugural paper for the committee, suggests a broad range of work to consider:

- A move towards single tier authorities in an 'enabling' role
- Improved internal structure of authorities through directly elected leaders
- Modifying as well as replacing the Community Charge (favouring property tax, but not ruling out income tax or assigned revenues)
- Broadening the local tax base and offering different taxes to different tiers, increasing the use of fees and charges
- A locally-adjustable supplement to the Universal Business Rate

Heseltine's work programme followed "the most logical path… which was to deal with functions, then structure, then finance" and that "none of these could be considered in isolation" (NA – CAB 130/1434). However, tension between the Treasury and the DoE was clear even at this early stage. Briefing by Treasury officials on Heseltine's initial paper for GEN8 was direct in its disapproval:

> "Overall, Mr Heseltine's paper is disappointing, [and] does not, in our view, provide a very satisfactory basis for getting the review underway.
>
> - It does not take an overview of relations between central and local government…
> - It does not suggest how functions, structure, and finance are actually to be reviewed together…

- It does not focus adequately on the real problems which lead to the review in the first place…
- … the "work programme" is not actually a programme at all…
- … it does not set out a proper timetable…"

(NA - T599/52)

The complexity of the task at hand, as well as the internal factions of the Conservative Party, had to be handled quickly and quietly. Ministers would eventually conclude in the first meeting that a replacement for the Poll Tax was ultimately the most pressing issue, and whilst it was important that policy on finance be set in the context of structure and function, the focus was to have "clearly defined views on finance within a broader, less detailed structural framework early in April" (NA – CAB130/1434). Conscious of time, it was during these initials discussions that the Treasury pushed for a more focused discussion and a narrower focus on property tax. One briefing to the Chancellor in advance of a GEN8 meeting read:

> "… [your objective should be] to establish that the priority should be work on a property tax with perhaps a quick look at local income tax, but no need for more work on a local sales tax."

(NA – T599/52)

Despite ambitions for a more encompassing review from the DoE, pressure from No.10 and the Treasury would result in the majority of work being directed towards finance. With attention now redirected primarily towards offsetting the burden of the Poll Tax and finding a replacement, it was during meeting five that the shape of the Council Tax was ultimately decided. It was to be concluded that the Poll Tax "had been a mistake" and that they should seek to "mobilise support behind a new composite tax" (NA - CAB 130/1434). Here they suggested that the "the operational arrangements" for the new tax should be left open to consultation, but implied that their decision on the tax itself would be final (*ibid.*). The decision taken here explain some of the core problems with the Council Tax, and it is important to explore what motivated these choices. What are viewed today as flaws were framed as features by decision makers in 1991. Two such examples stand out: the matters of revaluations and regressivity.

Revaluations

The matter of (re)valuation were the most common issue raised with regards to the LDTP in the course of interviews, regardless of which case study was being looked at. Contrary to assumption, this was by design. As early as the 14th of January, doubts were being raised about the possibility of returning to a property tax for fear of "the problems which had led to the postponement of the revaluation in the past" (NA – T599/52). This "spectre of general revaluation" (NA – T599/59) was not a new problem and had been one of the core reasons for the shift to the Poll Tax in the first place. As had been identified at the time "the most straightforward solution to the problem of revaluation was to not revalue at all" (*ibid.*), a solution they now chose to pursue via a banded valuation system. This approach came with a range of benefits for the Major Government:

- In the first instance, the use of bands widens the margin for error and dispute in the valuation process itself, thus allowing assessors to value in bulk and at speed
- Banding allowed for a fixed maximum bill for the most expensive properties, effectively creating a flat tax for all Band H properties (over £220,000)
- Crucially, banding was used as a justification to remove the need for regular revaluations, as it "irons out much of the effect of relative changes in property values with an area" (Lang, 1991) whilst new homes could be slotted into existing bands based on the valuer's experience and surrounding properties

This approach, although failing on some tests of fairness, was at least workable. However as has been shown throughout, the consequences of choosing not to revalue are colossal and compounding. This was correctly identified at the time. In fact, so total was the opposition to this decision that "all consultees who commented on this aspect of the proposals [were] of the view that periodic revaluations will be required in order to avoid anomalies arising from relative changes in property values" (NRS – SOE6/1/1181). There even existed dissent within the cabinet. In a letter dated March 13, Ian Lang pushed the Prime Minister to use the opportunity of reform to "build in… arrangements for regular (annual?) and automatic revaluations, with dampening arrangements for big changes if needs be" (NA - T599/52). This view was likely informed by Lang's firsthand experience of the effects of a delayed revaluation, a prospect he was no doubt anxious to avoid happening on his watch. Yet in disregarding these inputs, they deliberately locked in one of the key flaws of the Council Tax, branding it instead as a feature.

Regressivity

On the relationship between bands, Lang was more in line with his party's general view and clear in his expression of it:

> "Of course, the banded valuations could not be directly proportional to house values: a house in the top band (which could very easily be worth ten times one in the bottom band) must not attract ten times the tax bill. I think we must agree that now, and say so clearly."
>
> (NA – T599/52)

This was a shared view on the cabinet, although the exact design of the bands changed often. The very first proposal from the DoE had nine bands, which was cut to seven (favoured by the Chancellor, Norman Lamont), then eventually to five (favoured by Heseltine). Documents reveal that the Prime Minister was keen on an even smaller number of bands, "perhaps as few as three" (NA - T599/69). This had been the result of extensive negotiation between Heseltine and Lamont, and remained one of the final three major issues to be resolved alongside the basis of banding[39] and the ratio between bands[40] (NA – AT106/98). The final draft settled on seven bands, with those on the highest band paying 2.5x those on the lowest band, and those on the lowest band paying 2/3 of those on the average band on the basis of *country-specific national* averages.

Considering that a core guiding principle of the review was that the new local tax should be fair, this move was one which drew considerable criticism in the consultation responses. Perceptions of fairness are relatively subjective and sometimes contradictory. The Conservative conception of fair was that, since property value does not perfectly correlate to ability to pay, to *not* band and compress the value range would be unfair to those in large, expensive homes but with little income – the cash poor/asset rich class. Similarly, to force Londoners or those in the south-east to pay more simply by virtue of living in areas with historically higher house prices would be to unfairly distribute the burden of the tax geographically. Internal memoranda suggested that the regional variation of house prices was "substantially greater" than variations in incomes (NA – AT106/81). By contrast, the overwhelming response in the consultation was that such aggressive compression of house prices combined with an effective cap for all properties in the highest band was itself more

[39] National, favoured by Lamont, or local, favoured by Heseltine

[40] Lamont proposed either [1:1.625] or [1:2.5], Heseltine proposed [1:3]

unfair than their attempts to flatten the distribution. It was pointed out that whilst property value does not perfectly correlate to ability to pay, it is still a better indicator than many, especially for those who own their home. Regardless of the reasoning or explanation of 'fairness', regressivity across income was very much by design, not by accident. Moreover, this design is seemingly devoid of any proper analytical content on the part of government in favour of perceived political acceptability.

6.4.2 Timelines

The timeline for reform received both praise and criticism in both sets of data, but nonetheless produced a degree of anxiety. This anxiety remained throughout in every phase until valuation work began and was generally shared by officials and Ministers alike. Initial papers on a feasible timeline for the introduction of a new tax anticipated the process taking much longer. Opening a preliminary Treasury meeting, the Chancellor asked what constraints there were on the timing of an announcement when he was first briefed on the scale of the challenge:

> "Sir Peter Middleton said that Mr Edward's paper identified a major new problem: no <u>new</u> (property-based) tax could be introduced until 1995 [and] this assumed no public consultation beforehand…. Mr Edwards added that these timing problems would arise with any system requiring a new valuation, whether it was on the old basis of rental values or on a new system of capital values"
>
> (NA – T599/51, underline original)

Further Treasury correspondence in the February confirms that this was still perceived as unachievable where they noted that, "even if the valuation started immediately, the rating list could not possibly be in place until the beginning of 1994/95, with 1995/96 a much more realistic date" (NA – T599/53). As was repeatedly highlighted, the core challenge for the timeline was to be the valuation of properties, design and legislation notwithstanding.

This challenge was stressed several times throughout the archival material, with varying degrees of anxiety and compromise offered. Whilst initial papers suggested that a 1995 commencement would be the most "sensible" timeline (NA – T599/52), even the most optimistic timeline still maintained that 1994 would be the earliest possible date in order to balance efficiency with accuracy. No preliminary estimation suggested that a commencement in 1993 was possible. For their part, the Valuation Office (VO) foresaw "particular difficulties in meeting a 1993/94 timetable except for a reinstatement of 1973 lists" noting that "the earliest date that the VO can have a banded capital value-based system in place is 1994/95" (Pawley, 1991). The practical barrier of revaluation was viewed as largely insurmountable by numerous officials yet John Major, not content with this timeline, set out the Government's intention to implement a new tax by the start of the 1993 tax year. This was frustrating to senior Treasury and DoE officials, who even as late as April highlighted that the Government's plan "provides no explanation of how that timetable could possibly be achieved" and that the "invitation to readers of the papers to tell us is less than convincing" (NRS – SOE6/1/15540). Clearly this "act first, think later" approach caused headaches for civil servants, yet in the event, Major's ambitious (and apparently impossible) timeline was achieved. Referring to an outline akin to the final proposals, a letter to the Chancellor may well indicate how this timeline was achieved:

> "I think that a scheme on these lines could not sensibly be introduced before 1995/96… even this plan would allow very little time for consultation and drafting of the Bill. There would be a high probability that, with such a different system from anything we have had before, major errors would be made."
>
> (NA – T599/53)

Even on the most sensible timeline, senior Treasury officials warned at the time that there was likely to be significant errors made in the process. However, Frank (2022) when asked whether this resulted in cut corners, rejected the notion. Yet, whilst interviews generally rejected that this resulted in cut corners, archival material suggests that numerous errors (of judgement or otherwise) were indeed made throughout.

Consequences – Scope

In the boundary setting phase, the speed of reform resulted in a missed opportunity to tackle local government "in the round" (Heseltine, 1991) as had been initially envisaged. In their scramble to replace the Poll Tax, initial plans for a fully comprehensive reform which considered form, function, and finance together were ultimately abandoned in favour of a more siloed approach. This slower, whole-system review was sacrificed for a quicker, finance-first review. The necessity of considering the full system of local government finance was a common theme in interviews and has featured often in commentary then and now. Knowing now how imbedded (and in that sense 'successful') the Council Tax and Scottish reorganisation became this would have been a golden opportunity to enact comprehensive reform which considered the whole system as more than the sum of its parts.

More narrowly on the design of the proposals themselves, archival data shows that the pace, timing, and interdepartmental nature of the work meant that providing comment on up-to-date drafts was challenging, often resulting in missed input or duplicated work. A period of particular crunch, for instance, fell during the Easter break as a key draft was being exchanged between the DoE and the Treasury. One Treasury official bemoaned the internal deadline in a letter, complaining that he was only able to attach the comments of those who had been able to meet the 48-hour window for feedback on return from the break, which meant that some were unable to provide comment and input (NRS – SOE6/1/1554). This was true of ministers as well, who were unable to fully consider all the possible options available to them. In a letter on 13th of March, Ian Lang admits this to the Prime Minister:

> "Despite our efforts in GEN8, it is hard to argue that we have looked at all the options thoroughly, or that we have ruled out some choices - such as Income Tax - only after consideration. But I also understand fully why you now want to press for a very early conclusion and announcement."
>
> (NA – T599/52)

There are many such examples in the data where the timelines have put pressure on both officials and ministers to make rapid decisions without the full spectrum of opinion or information, or where ministers have ignored their officials. In one sense this compressed timeline could be viewed as a positive on the policy process. For instance, there exists a common perception that civil servants can be slow, risk-averse, and excessively deliberative (Lee, 2023); similar criticisms of indecisive politicians are also common in party politics. Fresh from the experience of the Poll Tax, it could be that officials were overly cautious having been recently 'burned', ultimately creating more work for themselves. Without some external pressure progress could have been slow or non-existent. Luke, a senior civil servant at the time, reflected on this and suggested that it was only Hesletine's determination that forced them to overcome hesitation:

> "… one thing that Heseltine was determined to do -although he hadn't been elected leader, he was a in very, very powerful position in the Major government- he was determined to get rid of it, and to get rid of it fast. And I can honestly say that we

> were very, very leery about trying to get Council Tax in place as quickly as Heseltine wanted it. Because so much had to be done and we were much more cautious. And he would have none of it. He said, we are going to do it by ’92 and it’s doable. Go and do it… And he was right.”
>
> (Luke, 2023)

Clearly this added pressure contributed to the delivery of the Council Tax within the Government’s timelines. Yet data primary data would suggest that at least some of the design of the Council Tax was because of the immediate timeline pressures – such as the use of banding to speed up the work of the valuers. When asked whether this added pressure resulted in cut corners, Frank (2022) rejected the notion but hinted that the quality may have suffered:

> “Well not really, I don’t think to be honest. Who knows how good the work was, but actually most of it has stood the test of time remarkably well.”

Whilst it has stood the test of time, this is arguably not because of its merits. Banding errors and incorrect assumptions about the Scottish Tax base (explored below) would also suggest that the quality of work was not as good as it could have been.

Consequences – Cut Corners?

Once legislation was in place, timelines necessitated that work began immediately across the country to ensure that valuations rolls could be updated in time for April 1993. Archival data shows that costing the process was particularly challenging. Initial projections ran as high as £250 million to enable the Valuation Office Agency (VOA) to achieve the work throughout Great Britian by 1993 (NA – T599/105). Even once the private sector was considered, costs were still expected to be high, with Government estimating a cost of £10 per house (*ibid.*). Unexpectedly, the real cost ended up being significantly under budget. This substantial cost saving was possible because of “a complex tendering operation” which benefited from low demand in valuers service because of a “very low level of activity in the housing market” (*ibid.*). This resulted in an overall cost of £92 million, over £100 million less than previously estimated. Data from the National Audit Office shows that the cost of private sector valuations ranged from as little as 19p to £10.95, with a mean unit cost of £1.58 (*ibid.*). The actual cost to the Treasury, where a tender was issued, had a mean unit cost of £2.04 (NRS – SOE6/1/1467). The same report clarifies that approximately 56% of the work was carried out by private sector valuers (*ibid.*).

The use of the private sector in England and Wales proved to be an effective cost and time saving decision, but it would appear 'you get what you pay for' with regards to valuation. Front page news a year after the introduction of the Council Tax was that "up to 900,000 occupants may be paying too much and a further 1.1 million may be paying too little… Administrators are now rushing to settle 914,000 disputes that have resulted from the mammoth and high-speed exercise" (Greig, 1994). Government documents reveal that this was double their tolerable margin of error of 1 million properties, although in reality this was essentially acceptable as the appeal rate was only 50%.

By comparison, ministerial briefings suggest fewer problems in Scotland. In a letter thanking the Chief Executive of the VOA, the Scottish Office reported that "the whole exercise appears to have gone very well" (NRS – SOE6/1/1467). The Scottish Assessors Association (SAA) were an independent body under the direction of regional councils, as opposed to the centrally controlled Valuation Office Agency (VOA), and were viewed as better placed to achieve this within the timetable than the Scottish VOA who lacked experience. After initial resistance from the Treasury who hoped to use the opportunity to centralise control of valuation going forward, the case was made successfully that the SAA should be responsible for the exercise, albeit under the 'general oversight' of the VO (Scotland)[41]. This proved to be a sensible choice and in Scotland the process proceeded remarkably efficiently. Once bills had been issued, it was reported to the Secretary of State that officials were "not aware of any major difficulties in the change from Community Charge to Council Tax" and that local authorities had also "played their part" in issuing bills in time and dealing with enquiries from administrators (Scottish Office, 1993).

[41] This became a point of contention in its own right due to an 'over-extension' on the part of the Scottish VO, this resulted in a rocky start to the relationship

Table 13 Projected vs Final Allocation of Scottish Properties to Council Tax Bands

Band	Assumed %	Actual %
A	20	27
B	15	26.5
C	20	15
D	15	10.5
E	13	10.6
F	8	5
G	9	3
H	-	0.4

Where there do seem to have been problems for Scotland, it would appear to have been on the part of the Whitehall officials who had incorrectly estimated the ratio of properties to bands in Scotland, resulting in the tax being even less progressive than originally envisaged (Table 13). This resulted in over 55% of properties being in Bands A and B, as opposed to the original 35% assumed in the consultation. The miscalculation was blamed on Inland Revenue’s incorrect assumption of the average house price in Scotland (£53,000) which proved to be too high. As a result, the new tax, which was already to be regressive, was even more so in Scotland. This ‘extra’ regressivity has reduced the fairness of the Council Tax in Scotland, a key guiding principle of the review.

6.4.3 Consultations: A Strategic Tool

The DoE’s initial proposals for the review appear to be much more consensus-seeking than directive, involving the canvassing of opinion on a wide range of options and a genuine choice. Rather than providing a range of options as initially envisaged, the final consultation document instead presented the Government’s proposals and invited comment. Between initial conception and publication, a much firmer position was taken on the policy leaving very little scope for influence. It was this firm position that allowed the Government to press ahead with ‘paving’ legislation to ensure work could begin as soon as possible, this in turn locking in their choice. They were aware that the dual running of legislation and consultation phases could “make a mockery of the consultation exercise” (NRS – SOE6/1/1643), yet they were willing to take the risk that they had made the correct call on the fundamentals of the tax. Decisiveness was clearly essential for the Government to achieve their proposed timeline but what, then, was the point in running a consultation and what, if anything, did it change?

A memorandum by the Secretary of State for the Environment offers perhaps the most insight on the purpose of the consultation in its opening statement:

> "The consultation period on our Council Tax proposals ended on 14 June. Generally, the response has been very encouraging. There is no doubt that we have successfully defused the Community Charge as a political issue, at least for the time being."
>
> (NA - CAB130/1434)

This would suggest that the primary purpose of the consultation was threefold: to reaffirm that they were not embarking on a worse path, to defuse the political threat from the Poll Tax, and to buy them more time. This approach was confirmed by one senior DoE official who suggested that Heseltine's strategy for the LG review was to "create as much smoke as possible to confuse people about whether this really was a change or not… all these hares were set running really, and I still think mostly as a distraction" (Frank, 2023). This vivid description does well to capture the moment in time, which was anxious, fast paced, and multi-directional.

Clearly this had been a successful political exercise, yet the consultation process changed very little in terms of policy. As of the 28th of June, it had received 408 responses. Four main issues emerged:

1. The structure of the Council Tax bands
2. The need for general revaluations
3. The size of the personal discount
4. The severe gearing under the Council Tax

It is no surprise that within the framework of the Council Tax these issues have always been contentious. More revealing however is that these flaws were hailed as features and were pushed through in the face of considerable objection.

On the personal discount, the consultation received a "clear but not decisive balance of responses in favour of a higher personal discount" to the effect of 50% (NA - CAB130/1434). This was rejected on the basis that such a change would make the Council Tax more closely resemble the Poll Tax, which the government were anxious to distance themselves from. Such a change would also produce an untenable distribution of winners and losers – single adult households would gain whilst all other households would lose.

On gearing, a "substantial number of consultees commented on the small proportion of spending which will be met by local taxation… and the resulting gearing effect" (*ibid.*). Heseltine, highlighting that this was also the case with the Poll Tax, noted that the new system would indeed exacerbate this problem "because of the variation in resources which authorities have at their disposal to meet extra spending at the margin" (*ibid.*). Such was the variation that a 1% increase in spending above the Standard Spending Assessment (SSA) ranged from a 2.2% increase in Council Tax in South Buckinghamshire to 11.3% in Tower Hamlets. The most commonly proposed solution, of returning NDR to local authorities, was viewed as too complex for resource equalisation and likely to upset the business community. The alternative was to use grant to offset the effects of gearing, but doing so would reward higher spending authorities with more grant which was counter to the government's strategy. Heseltine would warn that "gearing is a real problem for the Council Tax in the long term" and that it is "inevitable that [they] will need to return to the issue" (*ibid.*) but nonetheless pressed ahead without change.

On revaluation, it was raised that,

> "a number of important consultees, including the Audit Commission, the [Institute of Revenues Ratings and Valuations] and the [Royal Institute of Chartered Surveyors], have suggested that the Council Tax will be unsustainable in the long term without periodic general revaluations. They are concerned that changes in relative prices will mean that 1993 banding lists will become increasingly divorced from real market conditions".
>
> (NA – CAB130/1434)

Heseltine's response was to highlight that "this [was] clearly not an immediate problem" but that "there is some force in the professional bodies' comments, which may cause avoidable criticisms of [the] proposals" (*ibid.*). He maintained however that it was essential to avoid "saddling" both the Government and the taxpayer with a commitment to reevaluate at regular or fixed intervals. His solution was to provide the Secretary of State with the power to order a general revaluation "but only if and when he is convinced that circumstances require it" (*ibid.*). This confirms the anxieties that the Conservatives had about the threat of revaluation and the effect it might have on their prospective voters. The proposed solution is at best naïve, but far more likely a calculated risk that the consequences would either be so delayed or so far removed that they would pose no political threat.

Table 14 Initial Banding Proposals

Band	Value Range	Ratio to Band D
A	£0 – £40,000	0.67
B	£40,000 – £52,000	0.78
C	£52,000 – £68,000	0.89
D	£68,000 - £88,000	1.00
E	£88,000 – £120,000	1.22
F	£120,000 - £160,000	1.44
G	Over £160,000	1.67

Only **on the structure of bands** did the consultation produce change on a significant pillar of the Council Tax. The Government's original proposals, based on considerable debate and modelling, were designed to minimise the variation in distribution between areas at the point of introduction, particularly protecting high value properties in London and the Southeast (Table 14). Of the 408 responses received, all 104 responses[42] which answered directly on the matter supported the statement that the top band value was too low, to 0 who were against the statement. Similarly, all 85 who answered on the issue were 'for' the statement that there were too few bands, to 0 who were 'against'. This "substantial proportion… and clear majority of those who commented on banding" (NA – CAB 130/1434), universal opposition in one sense, appears to have been the requirement to move the Government to action. Further commentary reveals that this view was supported by letters from individual members of the public (particularly from London) whose homes were valued just over £160,000 and who resented having to pay the same as those in considerably more expensive homes. This opinion from a potentially important cohort of voters prompted Heseltine to suggest an additional band starting at £400,000 (representing

[42] Such a response was abnormally high - only three Sections of the consultation received over 100 individual responses: 'Top band value too low'; 'Agree on 100% rebates'; 'NNDR revenue [should be] returned to LAs'

5x the national average). In the event, Band H was assigned to values of more than £320,000, with a tax ratio of 2.00. Only on this matter of an additional band and the resultant ratio did the final tax digress from the original plan.

The conclusion to be drawn from this combined data is that the consultation exercise, on this occasion, appears to have been *strategic* rather than *earnest*. Rather than canvass opinion to change the proposals, the consultation acted more as an opinion poll which changed very little. In this regard, the consultation therefore served a strategic purpose to 'soften up' the public to the idea of the Council Tax and identify which areas were likely to be most controversial (Kingdon, 1995). This is as opposed to Heseltine's original conception of the review which envisaged a more genuine attempt to co-design the policy. Whilst proposals such as returning NNDR to LAs also had universal support, it appears that only when it effects the electorate does this unanimous opposition cut through, forcing the Government's hand. In every other significant regard, the policy agreed ahead of time was delivered. Given the disaster of the Poll Tax, ensuring that the public were 'onside' would be essential – this carefully worded proposal achieved this goal and successfully contained the fallout from Poll Tax.

6.4.4 Form, Function and Finance

In reviewing the Poll Tax, the cabinet had agreed that the exercise should consider the functions and structure of local government as well. Roger Bright, Principal Private Secretary to the DoE, notes in a draft paper that previous attempts to achieve this had failed because they looked separately at either finance or structure, but not at the two together. It was also suggested that the review re-evaluate the internal structure of the local authorities and their leadership, which was considered unsatisfactory (NA – T599/51). The initial thrust therefore was to address local government in the round, but documents and interviews have revealed this was not as coordinated an exercise as suggested. At least part of the reason for this was that the broader package of reforms from 1989 were essential to maintaining control of LGF. On this matter, one senior DoE official expanded:

> "Were we thinking about all these things [form, function and finance], in the same space? The answer to that is no, because the Council Tax by then was a done deal in England. I can't speak for Scotland, but in England it was. So, my main interests by that point were a) making sure that the Council Tax stuck and b) keeping a tight

> grip on overall levels of spending. Those were the two things that mattered most to the politicians we were working for."
>
> (Luke, 2023)

This was not overlooked. The Society of Local Authority Chief Executives (SOLACE) in their response to the finance consultation acknowledged the pressing need for a review of local government finance but fundamentally disagreed with the "sequence of examining finance in advance of examining local government functions and structures" which they viewed as "wrongly ordered and prioritised" (NA - SOE6/1/1204). They suggested that "any review of local government finance can only follow logically from a review of functions and structures and not, as at present, the other way around" (*ibid.*). This view was shared in a number of consultation responses, including some classified by the Government as being "most important" (NA - CAB130/1434) such as from the Chartered Institute of Public Finance and Accountancy (CIPFA). Responses however were sometimes contradictory, both welcoming the accelerated timescale but pushing for more preparatory work and a more comprehensive approach. Inconsistent though some responses were, interview and archival data both point to the suggestion that abolishing the Poll Tax was the priority, but that the bar for its replacement was relatively low.

In this regard, 'setting all the hares running at once' makes sense as a political strategy. When asked which hare he thought took the most political focus, Frank suggested that it had been finance. Yet, on the local government side, interview responses framed Scottish reorganisation as being the more significant proposal in the review. Elaborating, George (2022) said that in Scotland the reorganisation overshadowed everything else at the time if you were in local government. The perceived threat was that in reorganising, the relative influence and power of local government would be weakened – the main victim of which would be Strathclyde:

> "Strathclyde Region was a hugely powerful organisation, partly because of its size and scope, but also because of the expertise that it had. You know, typically the people who were, if you like, the senior officers, the directors in Strathclyde were the best people in their field in Scotland, and it wasn't universally the case, but it was generally acknowledged that you wouldn't get to a director in Strathclyde unless you were recognised as amongst the best people. Undoubtedly the people that they had were outstanding in many of these roles. And they had a natural authority. You know, some people aspired to be part of Strathclyde, or they would

> be prepared to take Strathclyde's lead, because Strathclyde could produce the arguments and make the case for local government."
>
> (George, 2022)

Mobilising against this was clearly important to a number of respondents, who viewed this battle as the priority over finance. Some interviewees (Patrick, 2022; Lee, 2022; Brian, 2022) shared the view that reorganisation was a political gerrymandering project or designed to generally weaken the position of local government. This could suggest that it was viewed more as an 'attack' than the Council Tax proposals, which were clearly an improvement. Reorganisation had a historically enjoyed a firm base of support outwith the Conservative Party – SOLACE, the SNP and Liberals all expressed an interests in reform at the start of the decade (McVicar, Jordan and Boyne, 1994, p. 81). Yet in 1993/94 these positions flipped – the normally sceptical Conservative Party embraced reform whilst its political opponents rejected its proposals (*ibid.*, p. 82). This would appear to be something of a political wedge.

Days before the consultation period even ended there were already "far more responses on the structure proposals (around 500)" (NA – AT 106/85) in England alone than there was compared to the final number of Council Tax responses (408) which canvassed all of Britian. Opposition was also strong in Scotland, where it appears COSLA's two central priorities were collection of the Poll Tax and resisting (and then influencing) the reorganisation. For Jean McFadden, then President of COSLA, the attention quickly turned to reorganisation when the local government review was first raised in person by the Secretary of State in a meeting on April 8. Informed of the proposals for single-tier authorities, McFadden said it was the view of the Convention that there was "no justification for a reorganisation of local government at this stage" (NA – T599/97), suggesting that only in the context of a devolved assembly might there be consensus on such a reorganisation.

The relative ease with which the Council Tax was accepted in the first instance by local government appears to be that it met the minimum standard for an acceptable replacement tax, whilst not offering much room for influence as a result of the timelines and the rigidity of the policy. By contrast, the proposals for reorganisation had a more relaxed timeline and clearly allowed for more influence in the specifics of the policy, if not the general direction (a move to single-tier). In giving priority to abolishing the Poll Tax as opposed to fine tuning its replacement, energy was soon redirected to 'the next fight' of reorganisation.

Evidence would suggest that this was at least partially the intention when the review process began. Unlike in England, unitary reorganisation would indeed go ahead (and before any confirmation of a devolved Scottish assembly) and the dismantling of Strathclyde was viewed as significant loss, as expected. How this process eventually played out is explored in Section 7.1 of the following chapter.

6.5 Themes

The findings from Case Study 2 develop the emerging themes from Case Study 1, but this time they shed light into processes of continuity *and* change:

Political Will and Agendas

> Throughout the 1980s, local government and its financing had become a point of contention for Margaret Thatcher who was determined to curtail its spending and influence. As a result, the political will to deliver significant LGF reform had developed over a decade to the point of action. This element, clearly missing in the previous case study, appears to have provided the necessary energies to escape institutional gravity. As a result, nearly the entire system of LGF was overhauled from grants to the Rates. The new Poll Tax inevitably received the most attention owing to its challenging roll out and near universal incidence, yet the extent of the broader reforms cannot be overstated - most of which still exist today. Moreover, John Major also harnessed political will to push through reform in 1991, albeit without the same ideological commitment.
>
> Yet there are also possible takeaways about the nature of institutional forces to be drawn from the crisis which emerged following the failure of the Poll Tax. As it transpired, the new Council Tax which was to replace it would bear great similarities to their shared predecessor, the Domestic Rates. This could suggest that there is a certain 'corrective' institutional force also at play which emerged when the ideologically driven political force of Margaret Thatcher was no longer part of the equation. A more pragmatic assessment might be that the Council Tax was simply the only workable solution given the political pressures and time constraints, regardless of its flaws. This is perhaps best captured by Harry (2022) who explained the outcome of the Council Tax reforms as beholden to the 'ATHINE Principle' - "Ah to hell, its near enough". Further analysis is required.

Organisational Distractions

When considered alongside reorganisation, it appears that local tax reform is a secondary concern. Issuing consultations for both of these reforms therefore diffused attention from the Council Tax and allowed the Government to move past the debacle of the Poll Tax as the proposals were deemed acceptable (especially as compared to their reorganisation designs). This also suggests a meta theme, hinted at in the Case Study 1 with the strategic use of a Commission, which may be broadly identified as 'temporality'. Timing, speed, and sequencing of reform have all had different effects on the process and its outcomes. Given the damage being done to council budgets and people's pockets by the Poll Tax, this decision to accept the Council Tax and refocus attention onto the reorganisation is perhaps not surprising.

As in the previous case study, policy changes to the context of governance have taken precedent over finance policy reform; however, this is a somewhat different scenario. Firstly, the change in question would impact the structure of local government itself, rather than the constitutional arrangement in which it operates. Whilst this is still essentially a change to the context of governance, it would be one which primarily effects the local as opposed to the centre. Secondly, whilst there was a much clearer focus on reorganisation in terms of the immediate public response and the long-term debate, this was after the issue of financial policy was, effectively, settled. The acceptance of the Council Tax, and the speed at which this happened, clearly reflects the government's priorities which did not see finance as secondary to form on this occasion. The replacement, whatever it was to be, was seemingly always going to be better which could explain why reorganisation took 'precedence'. This complicates the narrative that finance is secondary to 'form'.

Centre-local Relations

As compared to the centre-local relationship in the 1970s, this is one of the lowest points in the 20th century. Confrontation was common, with much of this being done in public, and the finances of both local and central government alike were suffering heavily as a result of the Poll Tax. Not only was this putting extreme stress on the relationship, but the previous decade of reforms had served to weaken local government. Indeed, the package of reforms brought in alongside Poll Tax had considerably undermined their financial power and leverage. As such, it would appear that the Council Tax reforms were aided by limited resistance from local government. As in Case Study 1, it is unclear whether resistance to the proposals would have ultimately had any effect, given the extent to which local government had already been ignored in the design process.

These themes were amended to reflect the three leading factors which emerged as being central to the ‘success’ of the reform. Firstly, replacing the Poll Tax was at the very top of the agenda for John Major’s government and remained there. The addition of this political energy back into the equation was key to understanding the speed at which reform was delivered. Secondly, the approach to both the review and consultation diffused LGF as a contentious issue, whilst simultaneously dispersing this energy across a range of other proposals in Scotland and England. This could reaffirm the hierarchy of priorities as far as form, function and finance are considered. Lastly, the speed of reform prevented any significant external influence on the proposals, whilst locking-in the decisions of key actors. This likely strengthened the effect of institutional ‘corrective’ forces and largely excluded local government from the process. Effective political leadership from the centre and minimal institutional resistance were both key factors throughout. With this knowledge, Case Study 3’s findings are presented in the following chapter where these themes will be further refined to establish with some confidence the factors which encourage and/or inhibit reform.

7 Case Study 3: 2014-2016

Despite quiet reservations from the architects of the Council Tax about its longevity, the 'son of the Poll Tax' has remained well into the 21st century such that by 2015 it had survived the reshaping of the United Kingdom, Y2K, the 'Great Recession', and austerity, whilst outlasting four prime ministers and first ministers a piece. Against the odds, it has endured. Moreover, it remained largely unchanged throughout this period, with valuation registers still based on 1991 values and bands unadjusted. Notable attempts to grapple with local government and its financing in Scotland have had mixed success during this time. Political appetite for reform has waxed and waned since 1993, with election cycles often bringing renewed but short-lived vigour (especially from parties in opposition). Wider ranging commission such as the *Commission on Local Government and the Scottish Parliament* (1999) and the *Commission on Strengthening Local Democracy* (2014) were welcomed with praise from both central and local government for their incisiveness but delivered limited practical change. Other commissions fared worse still, notably the Burt Review (2006), which was rejected by then First Minister Jack McConnell before it had even been published. To varying degrees, these inputs could all be described as 'dead on arrival'. With this history in mind, the Commission on Local Tax Reform (CLTR), announced in November 2014, brought together a broad range of experts and politicians alike to assess the Council Tax and provide a range of reform options for political parties to adopt in their manifestos ahead of the 2016 Scottish Parliament elections.

In the intervening period between the second and third case study, spanning a gap of 20+ years, much had changed whilst much had stayed the same. Exploring these differences and similarities is where this chapter will begin. It will then move on to explore the context surrounding the CLTR, its investigation, and its ultimate failure to end the system of Council Tax. It finds that the CLTR failed for a number of reasons, namely a lack of political will, the relegated position of LGF on the agenda as a result of (potential) constitutional/structural changes and poor timing, and a weakened COSLA. It develops the narrative and themes of the two previous case studies, strengthening their conclusions to suggest a number of definite barriers (and opportunities) to the reform of local government finance.

7.1 Structural Changes: Reorganisation and Devolution

Two significant structural changes differentiate the final case study from the previous vignettes into LGF. The first is the conclusion of a wider package of reforms that included the introduction of the Council Tax - the unitary reorganisation of Scotland's two-tier local government structure in 1996. These changes were brought in during John Major's tenure as Prime Minister but were largely spearheaded by then Scottish Secretary, Ian Lang, as explored in Chapter 4. The short-lived reorganisation 20 years previously had divided Scotland into a two-tier structure of local government in response to the Royal (Wheatley) Commission of 1969 resulting in a 'top-tier' of nine regional authorities, a lower tier of 49 district councils, and three unitary island authorities. The Local Government etc. (Scotland) Act 1994 reshaped the regional and district councils into 29 unitary authorities which, combined with the unchanged island authorities, resulted in a total of 32 unitary authorities throughout Scotland. The reorganisation was largely successful insofar as service continuity was largely maintained, but the process itself proved costly and controversial at the time (Carmichael and Midwinter, 1999). The consequences of this are still felt today:

> "At a practical level, Scotland remains haunted by the abolition of the regional councils in 1996, which undermined the capacity to deal with key issues at the city-region level. After 1996, much of the larger scale co-ordination which had been done by the larger regions of Lothian and Strathclyde was lost, in what one questioner called 'a period of missed opportunity': central government by and large did not fill the space when capacity at local government level was removed."
>
> (Blackburn and Keating, 2012, p. 103)

Critics of the reorganisation highlight that the project was an inefficient political exercise by an outgoing Conservative administration to gerrymander local authority areas to maximise the party's electoral chances in Scotland (Graham, 1995). These criticisms often point to the dividing of both Renfrewshire and Dunbartonshire, the 'carving out' of Clackmannanshire, and the creation of three Ayrshires (North, South and East) as examples of both inefficient and politically motivated design. Whilst the Government did consult on proposed changes, only a handful of particularly well organised campaigns such as in Fife resisted change, whilst others such as Inverclyde appear to have prevented further partition. As part of the restructuring, influential Labour-dominated regional authorities such as Strathclyde and Lothian were 'dismantled'. These larger regional authorities were forthright in their criticism and had clashed with the Conservative Government throughout the 1980s. From a Conservative perspective restructuring in the 90s were successful insofar as it curtailed this influence, but overall its success in gerrymandering council districts has been limited (Graham, 1995).

Originally sceptical about the prospect of reform, the Conservative Government would embrace the project, arguing that the two tier system failed to produce accountability and was comparably inefficient (McVicar, Jordan and Boyne, 1994, pp. 84-85). The reorganisation aimed to address these shortcomings, reduce wasteful duplication of services, and streamline the system going into the 21st century. However, reform was simultaneously unexpected (McFadden, 1999) and more cautious in Scotland than in England (McVicar, Jordan and Boyne, 1994), spearheaded largely by then Secretary of State for Scotland, Ian Lang. Indeed, his predecessor, George Younger, described Strathclyde (*ibid*, p. 80) as a "very well run" authority. This further contributed to the accusation of gerrymandering. The reorganisation reduced staff numbers in Strathclyde alone by more than 8000 (McAvoy, 1996), but cost up to £400m (McConnell, 2004b). The new unitary system has now outlasted its predecessor.

The second significant change to the structure of government is to be found in the ongoing process of devolution which began with the Scotland Act 1998 and the reconvening of the Scottish Parliament in 1999. The promise of Scottish (and Welsh) devolution was a flagship of the incoming New Labour government and was originally envisaged as being the beginning of a much broader shift towards subsidiarity, including the transfer of powers beyond the Scottish Parliament to local government and communities. Following the referendum, the Scottish Parliament assumed responsibility for a range of devolved powers (inc. local government and its financing) from the Scottish Office, although this office still exists with a reduced portfolio. The Scottish Office had for centuries acted as the primary conduit for centre-local relations between the UK Government and local government in Scotland. Due to the nature of devolution this centre still technically exists in Westminster, but for all intents and purposes the creation of the Scottish Parliament relocated this centre to Holyrood. The Scottish Parliament also repolarised political energies, effectively reducing the scope of Scottish local influence at the UK-level and transferring that influence (and attention) to the Scottish Parliament. Devolution combined with the electoral dominance of the SNP has also refocused attention on the perennial question of Scottish independence, most recently in the 2014 Scottish Independence

Referendum. The referendum resulted in a ‘No’ vote to the question of independence, but the relatively narrow result has cast a long shadow over Scottish politics.

Whilst devolution has resulted in policy divergence in a range of areas, there has been relatively little *legislative* divergence within Scotland with regards to local government. Some of the most significant divergences have happened outside of Scotland such as the introduction of mayors in England and the 2007 revaluation of domestic properties in Wales, updating the register to 2003 values. Looking at policy change through the trinity of *form, function, and finance,* there have been no changes to the *form* (structure) of local government since the power was devolved. With regards to *finance*, the most significant legislative change has been the adjustment of the rate multipliers from 2017/18, marginally increasing the progressivity of the tax and explored in Section 1.4.1. It is in the bracket of *function* that has seen the greatest change. Notably, the centralisation of Police and Fire Service from 2013, the development of Integration Joint Boards (such as Health and Social Care Partnerships) as recommended by the Christie Commission (2011), and the expansion in both number and scale of non-elected National Public Bodies (quangos)[43]. These changes have all altered and, in most cases, reduced the autonomy of local government in the way it delivers services.

7.2 Extra-legislative Changes: The Concordat

A number of extra-legislative changes have also emerged from agreements between COSLA and the Scottish Government, most notably since the signing of the Concordat in 2007. The Concordat was a joint agreement drafted between the 32 Local Authorities and the new SNP-led Scottish Government which set out the terms of a ‘new relationship’ between the centre and the local. For the centre, the agreement resulted in a reduction in the use of specific grants (‘formal’ ring-fencing), a promise not to restructure local government, and the loosening of monitoring and reporting requirements on local government. In exchange, local government agreed to a freeze in the Council Tax to 2007/8 levels and a move to a system of Single Outcome Agreements (SOAs) to coordinate with national policy. These extra-legislative changes have had substantial, wide-ranging consequences for LGF in Scotland. Whilst the Concordat was (and is) held up as a high point in centre-local relations, unforeseen consequences have ultimately

[43] Scotland has 112 public bodies for a population of 5.4 million, as of 2023

damaged local government autonomy and contributed to ongoing centralisation of both policy and finances.

Ring-fencing is a common practise to ensure that select funds can be earmarked for specific purposes. When used within the context of stratified tiers of government, it is generally taken to mean that funds have been ring-fenced by the higher tier of government and transferred to a lower tier of government with the expectation that it will remain ring-fenced once released by the centre. In the Scottish context, this was done by the use of specific grants which are accounted separately to the general grant provided by central government (SPICe, 2024). This might be considered to be *formal* ringfencing, characteristic of the early years of devolution. In these years, the use of specific grants and funding streams to *formally* ring fence funds for policy initiatives increased significantly to some £2.7bn by 2007-08 (COSLA and Scottish Government, 2007). This represented approximately 10% of their budget (Brownlee, 2007)[44].

Whilst a degree of ring-fenced funds is always likely to be necessary to reflect local government's role in delivering central policy objectives, the supposedly unjustified increases in ring-fencing were viewed by local authorities as an encroachment on their autonomy and became a key flashpoint in the later years of the Lab-Lib Government (*ibid.*). The agreement reached in the Concordat was to reduce ringfencing "to around £0.5 billion, with the intention that the level will reduce further to £0.3 billion by 2010-11" (COSLA and Scottish Government, 2007, p. 3). This target was ultimately met and formal ring-fencing via specific grants remained low throughout the SNP's first and second term, before steadily increasing post-2014. Briefings from SPICe show an 81% real terms increase in specific grants from 2014 to 2024 such that specific grants now represent 12-13% of local government revenues, higher than pre-concordat levels (SPICe, 2024, p. 11).

The initial reduction in formal ringfencing was a great success of the negotiations in the eyes of local government but was somewhat short-lived in its achievement. The initial reduction in ring-fencing eventually gave rise to both *formal* and *informal* ring fencing, otherwise known as 'directed spend'. When combined with specific grants, this directed spend is estimated to be as high as 75% by some local Directors of Finance (Scottish Parliament, 2024), although independent estimates from Audit Scotland suggests the figure

[44] 9.9% was the generally accepted figure, but debate was ongoing due to the complex nature of LGF as can be seen in these Parliamentary proceedings

is probably closer to 25% (Audit Scotland, 2024). Directed spend is similar in principle to ring-fencing, but altogether more ‘informal’, in terms of accounting. Directed spend is used by the centre to influence how their grant money is spent but is done so without the use of specifically protected grants. Rather, it ‘directs’ how local government must spend its general grant, sometimes with the threat of clawback if the funds are used improperly. This means that directed spend does not appear in ledgers in the same way, but ultimately has the same effect. This ‘stealthier’ ring-fencing has been increasingly criticized by local authorities for interfering in local decision-making, reducing local flexibility, and clouding accountability and responsibility in the eyes of the public (COSLA, 2022). The disagreement about what constitutes ring fencing and directed spend, and the extent to which it is increasing or decreasing remains live (SPICe, 2024).

Perhaps the most well remembered outcome of the Concordat for the public, the freezing of the Council Tax at 2007/08 rates was in many ways the price that local government paid for improved expenditure discretion. Under the freeze, the Scottish Government would provide an additional £70m of funding each year from 2008-09 to offset the loss of council revenues from the freeze (SPICe, 2016). The Council Tax Freeze would last until 2017/18 before being replaced with a 3% cap on Council Tax rate increases thereafter following negotiation. The effect of the Council Tax freeze had a substantial and cumulative effect on public finances. Analysis by SPICe describes how "since the freeze is based on 2007-08 levels of Council Tax, and the Scottish Government has provided £70m to councils' baseline allocations in each of the eight years of the freeze, the actual cost of the Council Tax freeze for 2016-17 is £630m. In other words, £70m is the cost of freezing the Council Tax compared to not freezing it for one year, and £630m is the cost of freezing the Council Tax compared to not freezing it over an eight-year period (i.e. 2008- 09 to 2016-17)." (*ibid.*, p. 10) The total cost of the Council Tax freeze over this period was £3,150 million (*ibid.*, p. 3).

Whilst this had the intended effect of shielding the public from increased bills, saving the average household a total of £1500 on a Band D property[45] (SNP, 2016), it also effectively removed the vast majority of local government's financial discretion and autonomy. The Council Tax accounts for approx. 10-20% of an authority's revenue (depending on the LA's tax base) but 100% of its *autonomous* revenue raising capacity (see Section 2.4.3).

[45] The distributional impact of the Council Tax freeze is actually regressive by band, saving owners of Band H properties over three times as much as those in Band A properties (Unison, 2016)

This owes to the fact that service charges are accounted separately (as they pay for the services which they provide) and non-domestic rates are only collected locally whilst being set and pooled at a national level (Scottish Government, 2023b, p. 2). Authorities still collected the Council Tax as previously under the freeze, but if the power to adjust it is removed (as with NDR) then the control over the tax itself is also effectively removed.

This has had a number of consequences in the years since. Firstly, councils were effectively stripped of their financial freedom and left dependent on the centre (Mitchell, 2018). This has the knock-on effect of inflexible and fixed revenue streams, meaning that councils are unable to adjust their revenues to respond to local needs and challenges. In contrast, for the same period, Council Tax rose by 12% and 32% in England and Wales respectively (SNP, 2016), helping them to respond flexibly to a number of challenges. The removal of rate-setting powers from local authorities also stripped local government of financial accountability. Setting out how you intend to spend a budget is made fundamentally accountable by the parallel process of setting out how you intend to fund said expenditure. This was described as the "one of the most basic expressions of political autonomy" (Brian, 2022). Instead, this has created a generation of councillors who have not had to justify a budget for their authorities, in turn limiting the consequences of their decisions and diminishing responsibility.

7.3 The Commission on Local Tax Reform

Having committed to providing an alternative to the Council Tax by the end of the Parliament, the Commission on Local Tax Reform (CLTR) was announced by the Scottish Government in the November of 2014. Its inaugural meeting was held on the 23rd of February 2015 with a remit "to identify and examine alternatives that would deliver a fairer system of local taxation to support the funding of services delivered by Local Government" (Commission on Local Tax Reform, 2015, p. 82). Its purpose was to present this information on a factual basis in time for the 2016 Scottish Parliament election so that political parties would be able to formulate a policy position for their manifestos with the expectation that the winning party could then deliver on this manifesto commitment, whatever it might be. Accordingly, the commission had local and national cross-party membership (with the exception of the Scottish Conservatives) as well as representation from a range of third sector and public bodies. Their work was supported by commissioned research from several Scottish universities, and they received input via consultation from the public and wider civic society (totalling over 3000 responses). The final report entitled

Just Change: A New Approach to Local Taxation was published on the 14th of December 2015, by which point political parties had begun to form their positions.
The report, as well as presenting a range of potential reform pathways, also reached a number of conclusions based on its analysis:

1. The Council Tax has remained almost completely unchanged, and change is historically difficult
2. The Council Tax has become discredited and cannot go on unreformed
3. The system is regressive and a poor reflection of ability to pay with regards to income
4. The present Council Tax system must end

In its conclusion it offered a general commentary on their analysis and findings. Firstly, the commission believed that any new system of local government taxation should continue to be one of general taxation contributing to the general funding of services, as opposed to a system of charges and fees (Commission on Local Tax Reform, 2015, p. 79). It also encouraged greater flexibility for local government, particularly with regards to local rate setting "wherever possible" (*ibid.*). Reform should seek to minimise complexity and reliance on the relief system, whilst ensuring substantial efforts to improve public understanding of both local taxation and funding. Uniquely (and perhaps contrary to the previous conclusion), the Commission believed that no single tax instrument would be a suitable replacement, instead arguing for a broadening of the tax base via a cocktail of taxes to guarantee fairness. They suggested, too, that any reform will require time and transitional resources to ensure that it is readily accepted and to equitably redistribute the burden with the greatest acceptance (*ibid.* p. 80).

Whilst it did not take a prescriptive view of any of the options, it did offer some reflections. Firstly, it was the view of the majority of the commission that any reform must still include a recurrent tax on domestic property, with the caveat that it be made more progressive. On Land Value Tax, the Commission conceded that more work was likely to be needed to properly model the effects, although the work done thus far was 'promising' (*ibid.* 80). Lastly, the predominant view of the commission (with the exception of Labour MSP Jackie Bailie) was that any widening of local government's tax base should include income due to its perception of fairness by the public. These three options – property, land, and income – were viewed to be the only candidates with revenue raising capacity to match the present system. Whilst they welcomed consideration of a suite of other taxes such as environmental, sales, or tourist taxes to supplement local government, they did not envisage these forming the main basis of local government finance.

The *Just Change* final report by the CLTR was published on schedule in December 2015 (in time for the forthcoming election) with each political party adopting different positions based on the report's findings. As had been predicted in polling, the SNP won the largest share of the votes and nearly twice as many seats as the second place Scottish Conservatives, but ultimately fell short of an outright majority. Despite being co-chaired by a Scottish Government Minister, Marco Biagi, the proposals set forth by the SNP did not match the recommendations of the report. Rather than ending the Council Tax, as had been suggested in the report, the Scottish government introduced a limited package of reforms via secondary legislation (statutory instruments), regulations, and bilateral agreement with COSLA. These were:

- Council Tax band multipliers were amended resulting in the tax for properties in Bands E, F, G and H being increased by 7.5%, 12.5%, 17.5% and 22.5% respectively. This affected approximately 25% of properties in Scotland, as the majority are in bands A-D
- Council Tax Reduction (CTR) would increase in line with multiplier increases for those on below median income to offset any rise for lower income taxpayers
- The Council Tax freeze would end from 2017, replaced by an agreement between the Scottish Government and local government for increases to be capped at 3%

By the end of 2016, the decision-making window for LGF reform had effectively closed, without any programme for further changes. Whilst these moves were broadly welcomed, they fell short of the expectations of many and indeed of the recommendations in the *Just Change* report. The persistence of Council Tax has led many, including its own members, to call the CLTR a failure.

7.4 Findings

More than was the case during Layfield, and to some extent even more than was the case during the introduction of the Council Tax itself, the findings which emerged from the third critical juncture are deeply interconnected. Interview data points to the conclusion that the failure of the CLTR to deliver change was ultimately based on a fear of risk from key decision makers. This fear continued in the vein of relinquishing institutional power and control (as was the case in the first case study), but more singularly focused on the potential to lose votes: a political calculation about winners and losers was the most cited explanation as to why Council Tax reform was ultimately not higher on the Government's agenda, and ultimately why the CLTR failed. This heightened sensitivity to electoral losses, which is present across all three case studies and the vast majority of politically contentious policy issues, can be specifically linked here to the *raison d'etre* of the SNP – the pursuit of Scottish independence. This looming constitutional question appears to have relegated LGF to a second order issue for *most* political parties and actors within parliament and, to a lesser extent, local government during this period. This is shown to have additional implications for the inhibiting effect of party-political congruence across tiers of Scottish government. Moreover, the process of devolution is viewed by many as a negative in terms of local government, having led to an erosion of autonomy and status. Relatedly, COSLA can be seen to be substantially and critically weakened by these developments and from decade of crises, limiting their clarity and force of opposition.

7.4.1 Expectations and Outcomes

As with Layfield, expectations of change were raised for the CLTR. Regardless of political persuasion and activity, nearly all of the interviewees did share the view, at least at the beginning, that this was a real opportunity for change:

> "Certainly, the people sitting around the table I thought were suitably impressive that they wouldn't have given their time if they thought it was going nowhere. People like Andy Wightman put a huge amount of effort into it and wouldn't have contributed, I think, to the same extent if he thought it was going nowhere. We all genuinely thought this, including myself… all genuinely thought this was an opportunity to change things."
>
> (Anne, 2023)

Anne went on to clarify that throughout her career, the CLTR represented the closest any reform attempt had come to achieving change. Part of this was the shared feeling that "the majority of people did have an open mind and were persuadable" (Phil, 2023), and it was on this basis that the Commission attempted to reach consensus for reform. Phil (*ibid.*) went on to explain that it would not have been possible to reach consensus on any one single answer, instead energy was focused on building a consensus around Scotland's need to diversify its tax base which was seen as "too weak" in its narrowness. Building on this, Anne stressed that agreement around the *range* of options was what was needed, as in doing so "it helps government to move forward because there [is] a degree of consensus about certain things" (Anne, 2023). The suggestion here being that whilst each party would have desired outcomes, any outcome within this range of possibilities would be ultimately beneficial. It was hoped this might increase the chances of success.

This feeling was shared by other members, and there was broad agreement that informal relationships between commission members were very good. This combined with an equal balance of representation on the committee, meant that each member's contributions were heard and respected in their pursuit of this common objective. This appears to have crossed centre-local lines, but collegiality appeared to have little impact on partisanship, which emerged as the clearest division on the Commission. The degree of partisanship, and the extent to which this influenced the quality of discussion, was raised by Phil:

> "I think, the behaviours round that table were, from independent members, really good - people were serious, and focused, and committed [but] if I'm honest, the political parties round the table did not bring their best thinking… in the same level of seriousness and energy"
>
> (Phil, 2023).

Some party-affiliated members (Lyle, 2023; Liam, 2022) rejected this narrative, and believed that the commission was essentially non-partisan:

> "There was no power play… I didn't feel like a [party] delegate… I was a member of the party and they asked me if I would sit on the commission but I didn't, you know, defer to them or there wasn't really much liaison with them…"
>
> (Liam, 2022)

However, the data suggest that that whilst relationships had been good between commission members, it was in fact somewhat more partisan than these members believed, at times reflecting "retail politics" (Phil, 2022). This was directly supported by at least one partisan committee member who admitted, "I had a particular kind of…I needed to protect [my party's] interest in this, okay, so that was my approach to it" (Anne, 2023). Anne was keen that regardless of the outcome, her presence would allow her to gather important findings and data from the report to use to her party's benefit. Echoing this, Lyle, who had suggested that members remained mostly neutral, did hint that the Liberal Democrats were at least partially motivated to join the Commission to develop their own incomplete policy proposals in the area (and to use them to political ends). The extent to which this was a feature or flaw of the Commission was debated further and lacked a clear answer but members generally viewed neutrality favourably, whilst acknowledging the inevitability of ‘small p’ politics around the table.

With regards to the chair, party affiliation (although not necessarily partisanship) was raised as a complicating factor by the majority interviewed:

> “I always realized right from the beginning that he was going to be quotes ‘the problem’. I don't mean that personally, the fact that he was a government minister, and these recommendations were going to be made principally to government, he was in a kind of difficult position.”
>
> (Liam, 2022)

Whilst some suggested that this was something that the minister in question, Marco Biagi, was aware of entering the discussion, that “he’d been told the hand he could play” (Phil, 2023), others believed that the government did not believe in the Commission and were “set to throw [the chair] overboard” (Anne, 2024). Regardless of the chair’s active politicking, his position as minister was viewed as creating a more challenging situation for the Commission, rather than an opportunity. As one member commented, a number of meetings with the Chair were difficult, “the impression I got was he did not want to be left with a poisoned chalice, and it was very political at that point” (Liam, 2022). The Chair’s conflict of interest was in marked contrast to the co-chairs, whose position appears to have had little bearing despite the tension between the Scottish Government and COSLA at the time. Generally, the co-chair was viewed as ineffective, failing to drive the commission forward and failing to represent COSLA pro-actively. Whilst political neutrality was generally looked on favourably throughout the discussions, the failure of COSLA to effectively represent the local was generally viewed less sympathetically. The cause and effect of this is explored in Section 7.4.4.

A solution was offered by Phil which addressed the inevitable role of politics on the commission. Phil suggested that this political energy should have been converted into political leadership, but that this would have meant taking risks:

> “There would need to have been a willingness to use the commission as a completely private space, where Marco could have said, I need help to navigate this

> around the Deputy First Minister and First Minister. I need cover. I need SNP councillors to be on my side. I need Labour to be saying these things. Jackie Baillie to come and say, I am under pressure to differentiate; if we didn't agree on this, will we disagree on these other things? I didn't see any of that. Certainly not round the commission."
>
> (Phil, 2023)

This suggestion involved members placing more trust in one another and deploying their political influence outside of the commission rather than inside. It would involve pushing for change, even if it went against their own party. Asked to clarify what the barriers to this were, and if this entailed leaving allegiances at the door, Phil continued:

> "[Yes,] but in a careful, specific way where the rules of engagement are understood, and if they are breached, all bets are off, but I think that is when these processes work best, when people take a risk… people didn't take a risk in this process. Politicians didn't take a risk."

Phil admitted that it was perhaps naïve to believe this was possible, especially considering the "the state of the SNP, and the relationship in Scotland" (Phil, 2023). Yet such a path was also identified by Lyle (2023) who elaborated that in so much as leadership and political capital were concerned, there were a number of different pathways which were available:

1. The 'Ideal (blank slate policy) Outcome' – A utopian system, discounted because "you never have a blank slate in politics" (*ibid.*)
2. The 'Politically Brave Outcome' – Which would require spending political capital, but would "seriously address a lot of injustices" (*ibid.*)
3. The 'Bare Minimum Outcome' – modest changes, but changes none the less

It was true however, that "in the final couple of months expectations dropped" (Phil 2023) around the key messages, and that in the end only a diluted version of the third and weakest outcome was enacted from their report (Lyle, 2022). It was suggested by both Anne and Phil that this was ultimately because of the forthcoming election:

> "I think the 2016 election as the, kind of, 'decision moment'… was originally thought to be a great influence and opportunity, now is the time, now this is the

issue. In reality, the closer we got to the conclusion of the commission, the more that became a problem. The more it became evident that with one exception [Andy Wightman], I would say, the parties were engaged in the lowest common denominator stuff. I have a lot of respect for everyone on that commission, including the politicians, but I don't think the politicians lived up to the remit."

(Phil, 2022)

That which had originally been imagined as a feature of the Commission ultimately became a flaw as 'retail' politics resumed as the election beckoned. Despite this, the Commission's final report was for all intents and purposes direct and clear and allowed each party to develop policy proposals on its recommendations, which was the aim of the Commission regardless of the expectations of its members. In this regard, the Commission itself must be deemed at least a partial success.

Outcomes

The share of the blame, between the commission and decision makers, divided opinion. Lyle's (2023) understanding was that key decision makers in power welcomed the proposals, but that actors around those decision makers may have persuaded ministers to drop the matter from the agenda:

"…the First Minister personally liked it in the run up to the election, but I'm guessing afterwards, the recommendations and the advice to her changed, so it's not top on her priority lists…"

(Lyle, 2023)

The role of special advisors (SpAds) in shaping agendas is raised at various points throughout the data and generally divides opinion but could be who Lyle is implying here. Both Ben (2022) and Robert (2023) suggested that the most concerning changes that they had noticed over their career spanning five decades was the role of special advisors and their impact on the decision-making process, which they suggested added undue pressure to policy formation, centralised decision making, and took precedence over official recommendations. Similarly, Nicole (2023) shared that in her organisation one of the leading explanations to explain the most recent (2023) 'return' to the Council Tax Freeze, widely considered to be a blunder, was that a SpAd had thought it would be a vote winner. Whilst it was considered to be problematic by those 'in the know', it did in fact prove to be the most popular policy proposal in the 2011 election campaign (Gibb and Christie, 2017,

p. 285) whilst extending central government control at the same time – a resounding success in this regard.

The influence of SpAds on the commission was also raised by Phil. Phil suggested that he and other members of the committee would organise 1-to-1 chats with the chair to “circumvent the role of SpAds and officials” (Phil, 2023), which might suggest they had a dampening effect on proposals. There is no concrete evidence to suggest that SpAds had any effect on these decisions, but there is a not insignificant minority who believed that they have that they have a curtailing effect on LGF reform.

Whilst some suggested that the commission was doomed from the start from the start (the *non-starter* explanation), others remained more optimistic about the report and blamed its reception for its failure (the *political failure* explanation). If the *political failure* explanation it is to be assumed, and reform was a viable outcome of the CLTR, then actors around decision-makers, SpAd or otherwise, must have had a dampening effect. By the same logic, it must also be assumed that proponents within their rank advocating change were either weaker or fewer in numbers. The most likely ‘internal champion’ for the report’s recommendations was the CLTR’s chair and key government minister, Marco Biagi. However, Biagi did not seek re-election in 2016 and stood back from national politics, leaving the report without a key advocate within government after the election. As above, the extent of Biagi’s ability to influence was questioned by some members of the commission from the offset who also mentioned that despite being an ‘enthusiast’, there was doubt that his ‘star was on the rise’ in the party (Anne, 2023).

Contrary to commission members, some non-member interviewees suggested that the CLTR never represented an opportunity for change in the first place because there was no appetite for reform. This could explain the lack of public pressure and the reluctance of policymakers to pursue a difficult policy, which has long found itself in the ‘too difficult box’. This was often connected to the lack of any single suitable replacement to justify the ‘grief and pain’ involved in reform and was linked to the *non-starter* explanation of failure. Although not universally, these views largely came from Conservative politicians. For instance, when asked why reform has been so far unsuccessful, Claire (2024) commented:

> “Nobody has been able to address the elephant in the room about what should follow. If the Council Tax is not working, what should we put in its place? And as you well know, there is no political agreement on that whatsoever.”

Further questioning revealed that there *was* appetite for reform, but that this appetite quickly disappears when confronted with the *options* for reform. This feeling was shared by Blair (2024), who criticised the report:

> "They'd got all these experts who went away and spent two years writing a report and they came back and said we have two recommendations: one, the Council Tax must go; two, we have no idea what should replace it. When the SNP came in with the reforms, they completely ignored the work they had done…."

During interviews SNP, Labour, Conservative, and Green politicians were all in agreement that there was disagreement, both within and between political parties. This ranged from minor factionalism as in the Greens, to a being 'totally unable to coalesce' around a single policy option as in the SNP (Lyle, 2023). In terms of the Commission itself, however, this disagreement was welcome. Indeed, it was the objective of the Commission to produce various options to choose form.

The choice of a replacement for the Council Tax arose in a number of conversations with most noting that despite international precedent for alternatives, no single replacement is worth the political risk of replacing it with a system that is not immediately and clearly better. According to Phil (2022), the CLTR was aware of this problem which is why they attempted to build consensus around the need for Scotland to diversify its taxbase, which was viewed as too narrow, as opposed to any one option. Whilst the CLTR does take the view that diversifying the tax base, via a 'cocktail' of taxes is the best option, this message appears to have been drowned out. This may have been due to the variation in policy proposals which emerged in response to the report, the majority of which did not set out an *explicit* cocktail approach. This weakened the unified front the report presented on this recommendation, but more research is required to clarify why this core recommendation was not developed. Notably, this recommendation ultimately failed to penetrate SNP discussions, who would go on to become the key decision makers following the election, and who's offer of further consultation around assigned revenues fell short of the CLTR's recommendation.

7.4.2 Winners and Losers

Why might SpAds and others have advised against LGF reform? Why does it get 'dumped' in the too difficult box? What gives decision makers cold feet towards election time? Interviewees repeatedly explained that the answer was simple: "losers scream and shout; winners say nowt" (Ben 2022). This 'tyranny of the status quo' has been identified as one of the core explanations for the failure to reform Council Tax (Adams, 2011, p. 383) and this is confirmed as a leading explanation in the data. Nearly two thirds of all interviewees (across all three case studies) referred to the inevitable change in the balance of winners and losers when considering wide ranging reforms such as LGF reform, including revaluation. Moreover, this is nearly always tied to the electoral consequences of such a change and the disproportionate reaction from losers. It can be concluded that the fear of these electoral consequences is central to governments' analyses and aversion to reform. This is true across all three case studies but is most clearly identified as a concern for contemporary policymakers, suggesting that the Poll Tax has left a lasting scar on reform attempts.

Compared to the late 1970s and 1980s which had accountability and fairness-through-contribution at the forefront of local government finance reform, contemporary efforts to reform place ability to pay and equality as a high(er) priority. The CLTR highlighted the built in regressivity of the Council Tax, whereby individuals in Bands A-C are more likely to pay a higher share of their incomes towards the tax than individuals in bands E-H. This is because properties in Band H only incur 3x times as much tax[46] as a property in Band A despite being worth, on average, 15x times more (Commission on Local Tax Reform, 2015, p. 28). After factoring in Council Tax reduction, the CLTR concluded that the Council Tax system was still regressive for the majority of households with incomes above the lowest 20% (*ibid.*, p. 29). The main focus for the CLTR then was to address this imbalance and present pathways to either replace or reform Council Tax to improve fairness. Ensuring a system that more accurately reflects household's ability to pay would require a great many people paying more than they currently do, and by a considerable margin in some cases.

Even revaluing the present system without change would result in 57% of Scottish properties changing band (Commission on Local Tax Reform, 2015, p. 32). Analysis from

[46] At the time of the CLTR, 3.225x since 2017 multiplier adjustment

the CLTR found that around "44% of properties would have moved up or down by one band, 11% would have moved up or down by two bands, and around 2% would have moved up or down by three bands or more, [whilst] 43% of properties would have remained in the same band" (*ibid.*). As with broader reform, this would likely result in a minority paying considerably more whilst the majority would likely make modest savings. Despite the majority benefitting, most were of the opinion that the 'vocal minority' were loud enough to overshadow their gains. As one director of finance elaborated,

> "What happens when you do a rates revaluation is there are people screaming from the rooftops because their rates have gone up. That is maybe 20 per cent of the base. The other 80 per cent you don't hear a dicky bird from because they have either stayed the same or they have gone down."
>
> (Lee, 2023)

It's not that the losers *outnumber* the winners, it's that those that do have to pay more are likely to be more vocal in their opposition. It is also true that the majority of said taxpayers are:

- More likely to be better off
- More likely to vote
- More likely to vote Conservative

As was explored in Chapter 4, this was the case in 1985 when the Rates revaluation caused significant panic amongst a concentrated number of constituents and politicians in wealthier areas of Edinburgh, Aberdeen, and the Borders. These individuals were predominantly Conservative voters and politically active enough to spurn reaction from their representatives. This was a central motivating factor in replacing the Rates and the early introduction of the Poll Tax in Scotland (Gallagher, Gibb and Mills, 2007). Perhaps with this in mind, one Conservative MSP said the same as Lee:

> "With every change there will be winners and losers, and you can guarantee the winners will say thank you very much and bank the improvement in their finances, and the losers will be out in the streets, you know, waving banners"
>
> (Blair, 2024)

Blair went so far as to say that because of this fact, revaluation was probably less likely than reform given that it would create the same amount of backlash but without any of the benefits of a reformed system. Fear of revaluation and the electoral punishment from losers is neither new or unique to the UK; many countries all over Europe have long outdated valuation rolls and opt to 'let sleeping dogs lie'[47]. This is not true of all countries, notably Denmark and the Netherlands where revaluation takes place every four years. Closer to home, these fears could well be misplaced when the successes of the Welsh revaluation of 2003 is considered. The revaluation, which was also meant to happen in Scotland and England, was broadly considered a success in that it updated property values without considerable backlash from taxpayers. Effective communication was viewed as key to this success and is explored below. At the time of writing, plans were being considered in the Senedd for a second revaluation to enshrine this process into law. This could happen from 2028 (Welsh Government, 2024).

The political and economic sensitivity of tax changes was seen by the majority of interviewees to be the most significant barrier to the reform of LGF, particularly as Council Tax is both a highly visible and 'presumptive' tax (See Section 3.2.1). Accordingly, proposals from within, and to, governments have tried variously to grapple with the problem of winners and losers. In 2007, the SNP proposed deferring any increase in rates to the sale of a house to delay and disperse backlash; in 1991, the DoE and Treasury modelled the Council Tax extensively before its introduction, with ministers adopting the model that delivered the fewest losses for likely Conservative voters (See Chapter 4); a similar exercise was carried out for the Poll Tax before it, although ultimately ignored. The CLTR also looked to find a solution to the problem of winners and losers and presented past evidence from changes to the Northern Irish and Welsh system. These involved tapered transitional arrangements to guard against particularly sharp and sudden increases. This strategy is clearly key to the success of local tax reform, but pre-empting winners and losers is not just about the 'pound in their pocket' as the CLTR was quick to identify; *perceptions* of fairness and a transparent system of LGF are also important.

No consequential policy change in LGF can expect to eliminate the creation of winners and losers. Whilst it is obviously advantageous to minimise the number of losers and the extent to which they lose, it is equally as important to effectively communicate the purpose and outcome of these losses as clearly as possible. Brick *et al.* (2018) focus on the effectiveness of this second strategy of policy communication in their meta-analysis which considers tax, environment, and education as broad-impact policies. They identify a

[47] Notably Ireland's system has not been revalued since 1845 (Slack and Bird, 2014)

tension between issue *coverage* and *comprehensibility* when attempting to communicate policy effectively, with achieving both challenging. LGF reform would result in change for the majority of individuals, making coverage essential; at the same time the nature and diversity of these reforms is particularly important to understand for losers, who will be distributed all throughout Scotland, and who may struggle to understand the changes (as with the CLTR's cocktail approach). Brick *et al.* (2018) "find little empirical evidence for how to communicate policy options effectively" and offer no proposed solution. Their research, too broad to consider the nuances of Council Tax, may benefit from a closer inspection of the Welsh approach to revaluation.

7.4.3 The Influence of Structural Changes

The devolved Scottish settlement was indicated to further complicate the reform of LGF and, to some extent, the calculations of winners and losers. A minority of respondents directly identified the 'unresolved' matter of Scottish independence as a barrier to the reform of local government finance, but a more significant proportion suggested that devolution as a whole had largely been a negative for local government and its autonomy. These may broadly be thought of as looming *structural* considerations.

The problem of the unresolved Scottish Question was framed in two different ways. Firstly, local government was seen as distinct from, and secondary to, Scotland's constitutional future. Secondly, interviewees suggested that opposing social democratic parties were especially reluctant to take on risky reform that could threaten the balance of support for independence. However, the most recurring finding related to the corrupting effect of power (particularly since devolution) on the reluctance to reform local government and its finance. This was implied to be the case in 2016 and can also be linked to the first two findings relating to devolution and reorganisation. This will be shown to implicitly stem from the 'unresolved' Scottish Question. Whilst all interviewees supported devolution, many regretted the negative impact this had on local government; the extent to which this was inevitable was debated.

A minority of interviewees were explicit about the role that the independence referendum and its legacy had on local government policy and reform. These interviewees were all elected to or employed by local bodies and often brought up the matter of independence of their own volition. When asked to explain why they believed that the CLTR ultimately failed, one former Chief Executive, Margaret, explained that there was no political appetite for reform at the time,

> "Independence became the kind of major political driver for all parties, regardless of which side one of them came down on, then that meant that a lot of political discussion that had happened before was not going to go anywhere."
>
> (Margaret, 2023)

Lyle offered that this was because framing the debate around the constitution made the SNP and Labour especially cautious, "[they] are basically fishing in the same electoral pools as two social democratic parties [which] makes both a bit more cautious, because it's so easy to lose votes" (Lyle, 2023). When asked whether that made the two issues incompatible, Margaret did not view debates about local government reform and the constitution as mutually exclusive. However, she did go on to say that whilst trust, capability, and good relationships were all important factors for LGF reform, political appetite (which the independence debate dilutes), was also essential for reform (Margaret, 2023).

The notion that the constitutional divide acted as a block (or at least a distraction) to policy development, discussion, and relationships, was also echoed by a long-standing council leader, Matthew, who found consensus building often frustrated by this fundamental, but largely irrelevant, difference:

> "Yeah, because…the SNP and the Tories love playing the constitutional card. So, we're stuck in the middle where, if we were to do a deal with the SNP, the Tories would attack us. You're basically weak on the constitution, you're in bed with the SNP. You do a deal with the Tories, you're in bed with the dreaded Tories - the enemy of everybody - the Tories. And our national leadership at the Scottish level, basically are so fearful of that, that they basically won't be allowing us to form a coalition with either the Tories or the SNP, so you then had to look at different options."
>
> (Matthew, 2023)

The issue of independence has more broadly been used to explain the increased discipline amongst party ranks which prevents dissent within national parties. Moreover, the electoral dominance of the SNP across all levels of government also appears to have minimised dissent from local SNP politicians *towards* the national party. This was a persistent theme throughout interviews with a broad range of interviewees (including party members) identifying ‘iron discipline’ (Matthew, 2023) as a block to reform. Just as Marco Biagi was described as being left in an awkward position because of his dual responsibilities to both the Commission and the Government, so too were SNP councillors and their COSLA Group for their dual local/national loyalties. Whilst some criticised them for this, others were more sympathetic to the difficulty of their situation.

More often, the additional problems created by devolution for both local government and its reform was raised as a barrier to reform. Devolution in 1999 was always intended to be a process as opposed to an event, the second stage of which was to see the empowerment of local authorities and local communities never came to fruition (Margaret, 2023). This principle of subsidiarity was an important feature of the debate around devolution and helped persuade local authorities of the benefits of a Scottish executive, many of whom were concerned that the new parliament would ‘suck up’ powers from local authorities (Brian, 2022) and “become a huge council” (Grant, 2023). The importance of local government to devolution is reflected in the tabling of the parliament’s first discussion which was on the future of local government in the context of devolution. This energy appears to have quicky dissipated in the first few years of devolution, with many fears becoming reality. One interviewee reflected that, “inevitably, after devolution, the focus switched to the parliament – a lot of the leaders of local authorities moved to the Parliament, myself included” (Brian, 2024). Considering the smaller scale of the Scottish polity, this is perhaps no surprise.

The consequences here were twofold. Firstly, key civic leaders left *local* government, taking much experience and talent with them. Secondly, as was feared, “Scottish Parliament was looking to make its place” and “the only place they could really make it in, is if they start looking at what local government are up to and get in on the act; so to speak” (Patrick, 2023). However, it is not necessarily true that this was an *inevitable* outcome. The emphasis on local government at the earliest stages of the new parliament suggests that there were (at least) two pathways open: one which prioritised continued devolution to local government, a path which should have been feasible given the local pedigree of a number of new MSPs, and the alternative, which prioritised the new institution and centre. The emergence of the second route as the direction of travel ensured centralisation become an institutional default.

This gradual erosion of local government's autonomy has manifested itself in various styles of centralisation but is most commonly explained in terms of the 'natural inclination' of central government towards power (Grant, 2023). Grant (2023), a long serving director of finance, elaborated:

> "Once you're in power, in Holyrood, you want to control the policy direction of councils, because they're the things that get you a vote, because they're the big-ticket things for which the government is for, things like education and social work."

Whilst this is often raised in the context of the SNP as the decade's dominant party, Grant explained further that "it's not purely an SNP thing… it's just the natural inclination" (*ibid.*). Opening the discussion, Grant identified devolution as the most significant (and rapid) single change for LGF throughout his career, as opposed to any particular policy. Compared with the Scottish Office previously, he remembered Labour being "all over you" in those early years of devolution, a fact he had to remind junior colleagues of. Brian (2023), a member of the government in question, confirmed this when reflecting on his switch to the centre,

> "the inevitability that you get post-devolution, oh, I think we tried to resist it to some extent, but when Labour was the first administration with the Liberals, local government was very worried, and I remember when I was a minister, at first being offered the chance to [remove a major local government responsibility], which I declined very quickly, and the officials were saying to me to not repeat this conversation again"

Confirming the range of paths open to the first Scottish Government and the decision to continue the 'Whitehall Model', Brian (2023) continued,

> "It didn't have to be like that, but you have to make conscious choices and difficult conscious choices, frankly, in the face of disparity in service levels across the country. You've got to make difficult choices about saying, no, we're going to leave the power with the local authorities and we're not going to interfere. Since the seventies, no government has really taken that view, and I often can see more pressure."

Evidence from the previous two case studies suggests that Brian was correct in stating that this has largely been the case since the 1970s. If it is to be assumed that there was significant continuity in this regard after devolution (see: McGarvey, 2019), this could lend credence to argument that centralisation has become the ‘locked in’ institutional default for central government, a side effect of which will always be an inclination towards power hoarding. Interviewees highlighted that this tension primarily manifests itself in finances, so for the CLTR (or any other commission) to recommend greater local autonomy would require central government to cede financial control, which path dependence literature tells us will become increasingly difficult with time (Pierson, 1997). Sacrificing power via financial control was viewed as unlikely for this reason.

The proclivity towards centralisation and power is not restricted to central government. Whilst viewed positively, the dominance of Strathclyde Regional Council in the late 20th century, and its reluctance to relinquish this power, is another clear example of the temptation towards power-hoarding. More recently, some interviewees suggested that, as easy as it is to criticise central government for these practises, local government is equally as resistant to relinquish power and control, even if it leads to greater efficiencies or economies of scale. Mary (2023), a COSLA representative, acknowledged that whilst Scottish Government were reluctant to relinquish power, local government were also stubborn about ‘letting go’. William (2023) noted that this was true of local government further devolving its own powers to communities; whereas Grant (2023) viewed the joint-focus on shared services as an “admission” that some services are bettered delivered at a national or regional level. The transfer of power was often viewed as an act rather than an ongoing, fluid and reciprocal process, and this was to the determinant of policy and service delivery. This was best summed up by Liam, “all power that you give away is power you cannot deploy” (Liam, 2022). Overcoming this and moving towards a more exchange of power and responsibilities would require what Mary describes as an “open dialogue - where it’s not, well, if you admit you’re not doing something, we’ll snatch that money back and then you’ll have even less”. Centre-local relations were not viewed as conducive to this at the time of the CLTR.

7.4.4 A Distracted COSLA

The inability of COSLA (as represented by its leadership) to ‘see the wood for the trees’ with regards improvements to LGF during the CLTR was viewed as a reason for its failure. When viewed in the context of the case study’s other findings, this failure is more readily understood. The unwillingness to relinquish power from either side, itself an outcome of decades of central encroachment, weakened trust between the centre and the local. This lack of trust was exacerbated by the effects of both austerity and the Council Tax freeze, leading centre-local relations to sink to a new low point at the time of the CLTR. This combination of factors resulted in local government having to refocus its energies on ‘fighting fires’ which meant prioritising additional funds during negotiations, relegating revenue-neutral reforms further down the agenda. Additionally, party-political congruence between COSLA’s largest group and the national government may have resulted in reduced pressure and expectations on COSLA’s leadership in order to preserve the electoral balance between winners and losers. The consequences of this have fed back into the causes themselves, creating a spiral for central/local relations, limiting the ability of the local to press broader reform.

Interviewees were in broad agreement that centre-local relations are at the worst they have ever been in Scotland. Simultaneously, in the last decade COSLA has also been viewed as ineffective (Phil, 2023), more adversarial (Grant, 2023), a weak lobbying body (Jack, 2023) and not as powerful, prominent, or focused as it has been historically (Brian, 2023). This was true at the time of the CLTR, where the COSLA co-chair was not considered to be a strong voice for local government, despite co-chairing the commission,

> “I think the COSLA voice on it was not very effective, if I'm honest. I don't think David was an entirely effective Co-Chair. I didn't get a sense he was driving the process.”
>
> (Phil, 2023)

Lyle (2023) was also critical of COSLA’s role after the commission, which was viewed as ineffective as it had been during. Lyle had believed assignation of national taxes (a proposal adopted by the SNP) could provide a broadly positive base for local government autonomy in that it would add a more progressive tax revenue to their basket, provides an economic incentive to boost local incomes, and enhances accountability to the taxpayers. Whilst there was (in his view) broad agreement between experts, academics, and the commission to its viability as an option, COSLA were lukewarm – “they didn’t like it, they just kind of shrugged” (Lyle, 2023). Lyle suggested that this may have been one of the reasons the commission was less impact, considering that this was the ‘best’ proposal to come from the party most likely to form a government after the election.

For COSLA to reject a policy that would ultimately improve LGF runs contrary to common wisdom, but this unusual position can be explained by the ‘crisis state’ of local government at the time. A decade of austerity cuts, ring-fencing, and financial uncertainty had left local government in a state of fight or flight, distracted by ‘firefighting’ financial challenges. For this reason, COSLA’s priority institutionally was more money:

> “COSLA’s not interested in tax changes unless they result…or at that point weren’t interested in tax changes unless it resulted in more money for local government. That was their overriding priority, and it wouldn’t have, it was…the other things that were in the SNP manifesto about assignation of income tax… those discussions were doomed from the start… And I’m very sure that the political team in Scottish Government knew that by going into talks like that, those were going to be doomed from the start.”
>
> (Lyle, 2023)

This “over-negotiation and lack of commitment” was ill-judged in the view of Lyle (*ibid.*). Continuing, Lyle suggested that, knowing this would be the case, it was likely political strategy to let COSLA take the blame for the talks collapsing. Had COSLA not been in such a weak position it would not have relied on this approach or been able to out-manoeuvre central government. An even more optimistic counterfactual could be a dynamic without the need for such opportunistic political strategy.

COSLA has not always been considered weak. Council Leader Patrick remembered that, before reorganisation and devolution, COSLA was a strong institution - although not necessarily a better one. He implied that the source of this strength was to be found in the dominance of the Labour Party,

> “It used to be quite strong. When I first went to COSLA, when I was a very young lad at times, the four of us, five of us in the opposition, something like that. I can’t remember and about ten million Labour counsellors. I mean, when their hands went up, there was a draught came off them. So, it was very much dominated by one party, all the way through the 90s and 80s and stuff, and all though the 90s.”
>
> (Patrick, 2023)

Patrick suggested that at the time, Labour used COSLA as a 'megaphone' against the Tories, amplifying the national party's opposition. It was effective in doing so, but this ultimately drowned out the voices of other parties,

> "I think COSLA has changed for the better, obviously because of the mix [of parties]. We don't have the majority on it, i.e. the SNP, and they have to recognise there's a lot of independents still around…. So, there's always that bargaining going on with it to find the right…and by and large they'll find a way through. It just takes a hell of a long time. You know, if you ever want to epitomise local government bureaucracy take one look at COSLA. That's the shop window."
>
> (Patrick, 2023)

The tension between representation and leadership, and their attendant pros and cons, was addressed in a number of interviews. When asked whether the COSLA of today primarily represented or led on matters, the majority of interviewees put representation at the foreground whilst highlighting 'behind the scenes' leadership. By contrast, the most effective COSLA presidents were identified as both leading *and* representing. With a leadership spanning both Labour dominance and the move to single-transferable vote, the most effective COSLA leader since devolution is generally considered to be Pat Watters for this reason. One interviewee summed up the respect members had for Watters,

> "At one stage during a COSLA leaders meeting [Derek McKay] criticised Pat Watters and accused him of being partisan, politically partisan. Pat Watters didn't say a word, but the leader of the Liberals, the Tories and the Independents, tore Derek Mackay a new one. It wasn't the Labour person, it was the other parties, because actually the respect that they held for Pat - he was not political in his role. He was a Labour councillor in South Lanarkshire forever, but when he was chair of COSLA he was chair of COSLA."
>
> (Lee, 2023)

Presidents since have struggled to balance representation and leadership, including during the CLTR, leading to some to question the effectiveness of COSLA (Matthew, 2023).

Effectively leading requires faithfully representing a diverse membership; whilst effectively representing requires leadership to navigate the differences therein. Political congruence, identified earlier, could complicate this relationship. If COSLA is unable to position itself as a surrogate opposition to national government because of its membership, then its ability to lead may be weakened; whilst leading without the support of members would struggle to maintain inertia. The limiting effects of congruence are confirmed by Margaret (2023),

> "COSLA has to influence… there's different ways of doing it. You can lead and publicly just go for it [but] COSLA is made up of different political parties, obviously, and just under half are SNP. So, if you do something, if I was to do something as critical of the government, that might lead to its downfall, then you're going to get nearly half the members going, we're not having that."

The experience of Pat Watters, however, suggests there is a course between leadership and representation. His early years saw Labour congruence across both local, Scotland and UK level politics, yet he was still considered by many to be an effective voice for local government.

Leaders in recent years have had to grapple with two significant challenges as compared to their predecessors: austerity and independence. As highlighted earlier, COSLA's resources and focus is increasingly targeted as the economic situation facing councils worsens. Crisis management necessarily limits focus on non-crisis issues, regardless of their potentially positive returns. Since Pat Watters, the challenges facing councils have increased in both number and magnitude, the cumulative effects of which had begun to severely impact council services in 2016. Secondly, the 'closing of ranks' and iron discipline of political parties along constitutional lines, particularly in the years surrounding the referendum, magnified the inhibiting effects of congruence. These factors, combined with the erosion of local government's powers, ultimately left COSLA in a weaker position in 2016 and unable to effectively push for reform.

7.5 Themes

Equipped with the findings from Case Studies 1 and 2, it is now possible combine all three to develop the themes that have been evolving throughout the research.

Political Will and Institutions

The third case study reinforces the significance of the interplay between political will and institutions in the reform of local government finance. Drawing similarities to the first case study, there is debate as to the extent of *pre-existing* political will for changing local government finance. Without this necessary energy, reform is highly unlikely. Once again, there are unresolved questions surrounding the use of commissions. A more cynical reading might suggest that the Commission was set up as an instrumental tool to delay action. Yet, unlike Case Study 1, the CLTR was designed with safeguards which would suggest that reform was the intention. The cross-party nature of the commission and its timing to enable parties to formulate policy positions in advance of an election would suggest that the Commission was set up in earnest.

The Council Tax, like the Domestic Rates before it, now bears many of the hallmarks of path dependence, having become institutionally imbedded in the organisation of Scottish tax and power relations. Whilst this institutional shielding to the reform of Council Tax (in the form of power-hoarding and centralisation) could be a barrier, this case study points to political will as being the more *significant* barrier, this time tied to the electoral arithmetic of winners and losers. As with previous case studies, political will is seen as both the problem and the solution in this regard.

Structural Uncertainty

This electoral calculation can be linked to the 'unresolved' question of Scotland's constitutional future which creates a structural uncertainty that takes precedence over the matter of LGF reform. This draws parallels to case studies 1 and 2, both of which demonstrate that LGF is often relegated down the agenda when changes to the context of governance are proposed. Data suggests that this was blamed, both directly and indirectly, for the failure of the CLTR to deliver reform. Directly insofar as the independence debate left little oxygen for other wide-ranging policy proposals, and indirectly insofar as the calculation of winners and losers contributed to a hesitancy from social democratic parties to 'rock the boat'. Moreover, devolution and changes to structure *were* found to have a more consequential effect than any LGF-specific policy change in the last 20 years, ultimately weakening the local and limiting their ability to push for reform.

Centre-Local Relations

> The previously strong partnership between central and local government in Scotland had, by 2016, found itself once more in a vulnerable position. As a result of decades of centralisation, the erosion of local autonomy and powers, and the political and economic fallout from various crises, COSLA was weakened in its ability to represent and/or lead effectively. Instead, COSLA (and individual LAs) were increasingly forced to prioritise the fight for increased funding, at the expense of pushing for a more efficient and fair system. Additionally, the reframing of political battlelines in the wake of the 2014 independence referendum, amplified by the party congruence between the centre and local, can be shown to have weakened COSLAs ability to effectively 'stand up' to central government. As with the previous case studies, it is unclear what effect the quality of the relationship (or the strength of COSLA for that matter) truly had on central government's final decision-making.

In each of the three case studies, these themes have emerged and evolved as being key to understanding local government finance reform or the lack thereof. They act as a throughline connecting what might be thought of as three very different case studies, highlighting the similarities and overlaps in each. In the remainder of the thesis, these themes will be discussed in greater depth and with specific reference to existing theory and literature.

8 Discussion: Institutional Forces (and the role of the Individual)

Throughout each case study there exists a tension between institutional forces and individual will. In the instance of the first case study archival evidence was relatively clear about the hurdle in front of policymakers as reported by the Working Group chair, having already rejected Layfield's ultimatum. Faced with the challenge of codifying the roles and responsibilities, officials encountered the insurmountable barrier of institutional precedent which had established the British Government as needing ultimate authority and control over local government and its activity. This precedent had emerged and embedded over centuries and was viewed as unsurmountable unless through an act of 'political will'. Relatedly, the intention behind the establishment of the Commission itself was also called into question based on the timing of its announcement, which served to deflect attention from the crisis at hand. The swiftness with which ministers and civil servants arrived at a decision on its findings also raised questions as to whether the Commission ever represented a true window of opportunity. The implication in both of these suggestions was that there was not the political will to tackle the problem - to do so would involve considerable effort to unpick centuries of precedent. The complexity of such a task was deemed too challenging and ultimately not worth the political energy of a government already dealing with other, major items on the agenda.

The second case study flips this on its head. After a decade of conflict with local government, transforming local government had become a political priority for Thatcher and one which she was prepared to spend considerable political energy and capital achieving. Introducing such a complete and total overhaul of local government finance in many senses took a wrecking ball to institutional precedent and was successful in forcing through reform in an otherwise stubborn system. Such political will to tackle the problem of local government finance had not been seen before and was key to maintaining the political momentum and pressure to reform the embedded system of rates and grants. Problematically, this wrecking ball proved *too* disruptive to the operation of central and local government which have a symbiotic (if one sided) relationship - the consequences of nonpayment and the collapse of local government revenues forced an ultimately unsustainable response from central government. This triggered its own crisis, and in this critical juncture the Council Tax emerged in no small part as a result of sustained political will from key political actors. Where the Poll Tax had went against the grain, the Council Tax looked to return to much of what was lost by returning to a property-based tax. This restored many of the norms and ways of working of the old system which institutional precedent and public acceptance had grown around.

By 2016, a more familiar pattern had re-emerged which suggested a degree of ‘lock in’ for LDTP with the challenge of reform once again being viewed as largely insurmountable. Whilst the ‘centre’ had been devolved and transferred, it inherited the same institutional reluctance to relinquish control as its predecessor. These forces were less explicit but a conservative approach to change did suggest a degree of institutional continuity of the ‘embedded centralism’ identified from Case Study 1. However, this caution was most commonly framed as a fear of political risk as opposed to structural forces - the evidence was clear in Case Study 3 that the electoral calculations of winners and losers was the primary limiting factor for change. Both engagement with the Commission itself and its conclusions were questioned, leading to a familiar implication that the Commission was dead on arrival. There was also a suggestion, as there had been of Layfield, that this was a deliberate tool to delay and dilute responsibility for reform. As with the first case study, reform of LDTP or wider LGF could not maintain the necessary momentum to remain on the agenda, nor was there the will to push through change.

‘Institutional forces’ can be seen to have influenced the reform of both LDTP and LGF throughout all three case studies in different ways but to the same effect. In isolation the case studies offer little insight into what these institutional forces actually are, yet viewed together we can see that these forces are centripetal and conservative in nature – cautious of radical change and favouring stability via control. To understand these forces, it is necessary to return to the centre-local relationship and the institutions therein.

8.1 ‘Institutional Forces’?

The institutions which constitute the network of organisations, norms, and structures in which LGF operates are many, varied, and evolving. Institutionalists disagree on the what counts as an institution however, in general, view “the whole range of state and societal institutions that shape how political actors define their interest and that structure their relations of power to other groups including rules, structures and relations amongst various branches of government” (Steinmo and Thelen, 1992, p. 2). For the purposes of this thesis, the primary institutions concerned with policy and decision making emerged as the ‘centre’ and the ‘local’.

This has emerged not from the literature, which has tended to view this conception as too narrow and cohesive (McGarvey, 2012), but from analysis of the empirical data. Whilst there has been a switch in recent decades from local government to local governance as the unit of analysis (see Section 3.1), this research has found little evidence to suggest that local government *finance* has been influenced by anything other than central, and to a lesser extent local, *government*. This reading follows Wilson (2003) in suggesting that partnership working, which has characterised literature and rhetoric in Scotland, does not translate into meaningful influence in the shaping of policy:

> "[Despite] extensive interaction between actors at sub-national level, this should not be seen as a proxy for policy influence. The local political arena is characterised less by multi-level governance than by multi-level dialogue. Sub-national actors participate but they are rarely major players in shaping policy outcomes: the plurality which characterises sub-central governance does not reflect a pluralist power structure."
>
> (Wilson, 2003, p. 317)

Within this conceptualisation, analysis of the empirical data also found reason to support Pierson (1993, p. 596) in his suggestion that major public policies also constitute important rules of the game which "influence the allocation of economic and political resources, modify the costs and benefits associated with alternative political strategies, and consequently alter ensuing political development".

Due to the asymmetrical nature of the relationship between the centre and the local, the policy direction of local government finance is primarily shaped by the centre, producing centripetal feedback effects. As can be identified from the data and will be explored throughout the discussion, these forces exist in different forms, from 'increasing returns' to constraining the preferences of central decision makers and the options available to them. With reference to England, Jones and Stewart (2012, p. 346) highlight the challenges this creates for the relationship:

> "[There is] a fundamentally defective relationship between local and central government. The government's approach fails to recognize that the main barriers to the development of localism lie in central government. Centralism remains dominant in the Localism Act and in Whitehall departments, even the Department for Communities and Local Government. The government has failed to provide a

> financing system for local government that sustains localism: local authorities continue to be dependent on government grants."

To understand these forces, this dynamic and its consequences must be clarified. The institutional centre as it has been referred to in this thesis has taken on two primary forms throughout the case studies – the British Government and the Scottish Government. The institutional periphery (the local) has been taken to mean local government (that is to say local *authorities*) and the body which represents it in Scotland, COSLA. The relationship between these two has been characterised by centralism and centralisation. The consequences of *centralisation* have been explored throughout the thesis, but it will be argued that this *centralism* is in itself an institutional force, embedded and layered in the British state over centuries of policymaking. Examples of this force are to be found throughout case studies 1 and 2, whilst a case for these forces can also be made for Case Study 3 if this force is linked to electoral calculations (and the individuals who make these calculations). Developments before and since devolution have served to enhance (or rather, failed to weaken) centralist tendencies in Scotland, despite stated preferences to the contrary.

8.1.1 Centralism and Centralisation

The centralist paradigm of the British State, which has been largely inherited (and arguably extended) in Scotland, is key to understanding these institutional forces. Frug (2014, p. 1) introduces the general tendency towards centralism in central-local relations:

> "The temptation of centralized governmental power should be familiar to everyone. It is based on the notion that government, like every other institution, needs an ultimate decision-maker who can direct the organization. This attitude generates a suspicion of local power. Local government is seen as too parochial, too small to grapple with the scale of urban problems, sometimes even corrupt. By moving power to some form of centralized government, it is thought, the self-interested competition among localities can be overcome… The local is seen as the problem, and centralization is the solution."

A common feature of many institutions (political or otherwise), the temptation towards centralism is readily identified across the world and is by no means unique to the UK context. What is unique to the UK and the British State is the depth of the tradition and the extent to which it stands out in comparison to other Western countries. This tendency towards centralism in the British State has its intellectual routes in Hobbes' *Leviathan* (1651) but Lewis (1990, p. 543) suggests it was first identified empirically by Walter Bagehot in 1867[48]:

> "… It was he, above others, who taught us to look at the cabinet as the power-house of government policy-making. Since that time centripetal tendencies have grown apace... The Second World War merely exacerbated the trend, and the obsession with economic management of successive governments has ensured the domination of government at the centre…"

This tendency continued throughout the 1980s (Section 6.1) and into the New Labour Years (Lee, 2000), with some suggesting that centralism even intensified between 1997 and 2010 despite devolution and the 'new localism' (Lodge and Muir, 2010). By 2015, Permanent Secretary to the Treasury, Sharon White, suggested that the UK had become "almost the most centralised developed country in the world" (Global Government Forum, 2015). Indeed, the Treasury has been a key figure in this process, reflecting the overriding importance of economic control.

Clearly centralism has remained at the heart of the British State and its governing philosophy, yet recent failed attempts to break with this pattern suggest that it is more than simply a political choice. Literature and primary data both suggest it is instead the result of decades (and indeed centuries) of institutional precedent which have imbedded this norm. The institutional embedding of centralism is such that it has in fact been 'inscribed' (Marsh and Hall, 2007, p. 221) in the institutions and processes of government. Echoing the above analysis, centralisation was described as being a natural effect of holding political power in the British State (see Section 7.4.3).

As it relates to centre-local dynamics there is also a clear legal dependence which further reinforces the institutional embedding of centralism. Citing the Widdicome Committee (1986), Copus *et al.* (2017, p. 16) highlight that centralist thinking is reinforced by the lack of constitutional protection for local government - local authorities are "statutory creations of parliament and have no independent status or right to exist" (Committee of Inquiry into the Conduct of Local Authority Business, 1986, p. 45). As such, the whole system of local

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[48] Bagehot, W. (1963) *The English Constitution.* Oxford University Press.

government could feasibly be abolished by an Act of Parliament without grounds for legal challenge. This intra-vires nature of local government creates an imbalance in the relationship between the centre and the local in which local government is beholden to the continued consent of Parliament. Within this context, power (and the power to centralise) ultimately rests with the central government; local government and its financing is at the centre's discretion. As this research has shown, this process has happened incrementally in between critical junctures, however the growing feedback effects in periods of stability have made it more difficult to reverse during critical junctures.

Commentators have highlighted the extent to which the Scottish centre has inherited many of the traditional practises, conventions, and norms of the British Centre which came before it thus reverting back to what some have suggested to be a 'Westminster Model' of government. This echoes the arguments of McConnell (2006) that there exists considerable continuity pre- and post-devolution. That the Scottish Government both exists within a context of multi-level governance whilst retaining many elements of the Westminster Model and exerting a considerable degree of centralised control is supported by other analyses of the centre-local relations in Scotland (McGarvey, 2019b; McGarvey, 2019a; Mitchell, 2018; Mitchell, 2019).

McGarvey (2012) argues that there is evidence to suggest that such a view is inevitable if centre-local relations are viewed in purely formal-legal terms, but that this does not paint a full picture. For instance, the attempts to reset the relationship between the two first in the form of the Concordat of 2007 and then in the Verity House Agreement in 2023, suggests a willingness to move beyond inherited tendencies. This has been supported in policy terms by a stronger emphasis on co-ordinated goal setting and service delivery through the National Performance Framework and Community Planning Partnerships. Informally, the size and scale of Scotland ensures more frequent contact for the policy community, resulting in a more intimate interpersonal relationship between individual policymakers (*ibid.*, p. 167). Moreover, the design of the parliamentary system encourages co-operation and partnership to achieve policy objectives for those lacking a majority.

Yet, despite efforts made in the direction of localism, the tendency towards centralism is real and clear in Scotland, and has arguably been even more pronounced than it is in England for three reasons. Firstly, as early as 1976, the 'developing position' of centralisation was 'even more marked' in Scotland compared to England and Wales in both administrative and financial terms (Committee of Inquiry into Local Government

Finance, 1976, p. 87). In terms of local government expenditure, both the degree of central support and the level of capital expenditure (which was easier to control) were higher than the rest of Britain, whilst the formula for grant distribution was more “amenable to political manipulation” (Midwinter, Keating and Taylor, 1984, p. 21). Whilst some of the reforms in the 1980s attempted to bring these more in line with the rest of the UK (such as the Uniform Business Rate), administrative distinctions remained into the 90s and extended into devolution (McGarvey, 2012, p. 156). Whilst this has not always delivered 1:1 greater control of outcomes (Midwinter, Keating and Taylor, 1984, p. 21) it has resulted in a greater degree of central influence over local government.

It is true that framing the centre-local dynamic in purely constitutional or legal terms results in a somewhat skewed view of the relationship, yet any framing must at least foreground this element of their relationship given the impact these arrangements have on the administrative and organisational structuring of power. These elements, which include intergovernmental *fiscal* relations, often overrule other facets of the centre-local relationship. This is evident in the reaction to the Scottish Government’s decision to return to the Council Tax freeze despite agreements in the VHA.

Secondly, the centralism of the British state is the starting point for Scotland – devolution did not represent ‘Year Zero’ – and it has continued to centralise in the years since 1999 despite attempts to reset (McGarvey, 2012, pp. 156-161). McConnell (2006) and Martin (2009a) both support McGarvey (2012) in arguing that continuity is more important than change in understanding pre- and post- devolution centralism. Within this inherited model of statecraft, “the Scottish Executive (like the UK Labour Government of the time) decided that the best route to improved public policy outcomes was the creation of ring fenced budgets, targets, and other oversight and regulatory structures” (McGarvey, 2019a, p. 160). Cairney (2022, pp. 55-56) notes that whilst Scotland has a reputation for making policy in a different way to the UK Government, this is not always based in evidence, and in fact bears many of the hallmarks of British policy making. He goes on to suggest that, in reality, the Scottish Government “[faces] a continuous trade-off between central and local control, and the unintended consequences of the balance they attempt to strike” (Cairney, 2022, p. 56). Yet even in this trade off, the significant economic policy decisions are still made primarily by a centre that is reluctant to release power.

McGarvey (2012, p. 169) suggests that, at least for the period 2007-2011, the SNP government “reversed the 1999–2007 centralising trend and emphasised and encouraged a higher degree of localism and autonomy among local authorities in return for commitments for them to implement key SNP policy priorities”. Whilst this is true of the window in question, with the benefit of hindsight we can see that this may be better understood as a pause rather than a reversal. Moreover, it supports Cairney’s description of continuous trade offs, one which implicitly affirms the power of the centre as the arbiter in negotiation. This is not to suggest that this administration did not have earnest goals in mind, only that there were at least some instrumental (institutionally influenced) purposes as well.

Thirdly, Scotland has lacked the same degree of policy emergence as has been experienced in England (Lowndes, 2005). Using strategies of ‘institutional remembering, borrowing, and sharing’ Lowndes argues that entrepreneurs have reshaped institutions and their practises in the spaces created by uneven development, ambiguities, and changing environments. This uneven development is facilitated in the English context by the pluralist organisation of English local *government* and the gradual fragmentation of local *governance*. Both have led to a dynamic policy environment in which reforms have generally lacked uniformity, and have occurred at different times and in different directions (Lowndes, 2005, p. 293). As a result, incremental divergence has ‘emerged’ in the spaces of uneven development and ambiguity. A similar view of incremental change is shared by Mahoney and Thelen (2009) who argue that it is in the spaces between interpretation and enforcement which may produce divergent outcomes.

In Scotland, the degree of uneven development has been far more muted since devolution as compared to England. Where the English organisation of local government has underwent considerable internal and structural reform in recent decades (Jones and Stewart, 2012), change has tended to be both uniform and light touch in Scotland which lacks substantive regional devolution and the additional financial freedoms which come with it. The smaller scale of Scottish local government has allowed also the Scottish Office (and then Scottish Government) to put itself “in a position to take an overall view of the affairs of each local authority and also to ensure that the actions of its departments are properly co-ordinated and directed to agreed objectives.” (Committee of Inquiry into Local Government Finance, 1976, p. 87). Combined these have produced less scope for the ’uneven development’ necessary for organic institutional change. Instead, institutional reshaping has been primarily driven by centralisation.

These factors may go some way in explaining why LGF and LDTP reform has been so difficult to achieve historically but could offer even more value in explaining why this has remained so challenging today in spite of what might appear to be more fertile conditions. Whilst this research has shown that these forces alone do not paint the whole picture, they could shed light on certain barriers which have proven difficult to overcome. It is at present too early to establish whether recent attempts, such as the revised fiscal framework or the VHA (despite its rocky start), will succeed in addressing some of these legacies.

8.2 The Role of the Individual

Historical institutionalism is not wholly ignorant to the role of individual and alternative forces on the political process - “institutions constrain and refract politics but they are never the sole cause of outcomes” (Steinmo and Thelen, 1992, p. 3). A central paradox of institutions is that they are “[both] human products and social forces in their own right (Grafstein, 1988, p. 578). For Lowndes, it is “grassroots actors who make and remake institutions on a daily basis” (Lowndes, 2005, p. 298). For Immergut (1992, p. 85), institutions are “most certainly created by social actors engaged in a struggle for political power” – that centralist institutions should be reproduced through continuous centralisation is therefore no surprise. It is within this context that individual expectations and preferences are shaped, producing strong feedback effects which further entrench centralism in the pursuit of political power. Yet as they rely on the continued consent of actors, individuals can have both a path reaffirming *and* path breaking role.

This paradox, with individuals and institutions as two sides of the same coin mirrors the ‘important and enduring’ debate about agency versus structure which continues to rage on in social science (Battilina, 2006, p. 653). More agent-centred approaches, such as behaviouralist models of politics, have often viewed institutions as largely independent ‘arenas’ within which political preferences, powers, and behaviours are shaped but which have no bearing on this process (March and Olsen, 1984, p. 735). March and Olsen (1984, pp. 735-738) outline five such ‘theoretical styles’ and the role of agents within them in Table 15.

Table 15 Theoretical Styles of Contemporary Political Science

Style	Agents	Institutions	Outlook
Contextualism	Influenced by and reflective of ‘contextual’ forces like class, geography, culture, ethnicity, ideology, religion etc.	Irrelevant as compared to the broader organising units of the polity	Politics as ‘mirroring’ its context
Reductionism	Individuals’ actions determine the flow of events in a larger system; preferences and powers of actors as exogenous to the political system	Emergent from and directed by the “interlocking choices” of individuals and sub-units; the outcome of aggregate individual behaviour	Politics as the “macro-consequences of micro behaviour”
Utilitarianism	Political events as the result of *agents behaving in their interests* based on constant costs/benefit analyses	Relevant only insofar as they pose a cost or a benefit	Action as the making of calculated decisions
Functionalism	Equilibrium and efficiency seeking; behaviour represents efforts to that end	Means to an end in achieving optimisation	History assumed to be fundamentally efficient in its pursuit of optimal equilibriums
Instrumentalism	Actors seek to control outcomes and use symbols and, ritual and ceremony to do so to their own self-conscious ends	A tool to be deployed by actors in their pursuit of outcomes	Outcome-focused

The majority of these actor-centric approaches to politics, with the exception of contextualism, suggest that individual agency and free will is at the heart of political behaviour. These approaches, in common with ‘old’ institutionalist literature, are relatively polarised in their approach to the agency and structure debate. Far from rejecting these models of political behaviour, March and Olsen (1984) viewed these approaches as having empirical and theoretical value. Acknowledging this theoretical lineage, they view new institutionalism as “blending elements of an old institutionalism into non-institutionalist styles of recent theories of politics” (March and Olsen, 1984, p. 738). In doing so “new institutionalism insists on a more autonomous role for political institutions… without denying the importance of both the social context of politics and the motives of individual actors” (*ibid.*).

Attempts to synthesise these approaches, including new institutionalism, usually highlight the dynamic nature of the two (Giddens, 1984) and the limitations of individuals in decision-making process. As well as being constrained by institutional forces, policymakers are also constrained by bounded rationality (Simon, 1990; Simon, 1972). The concept of bounded rationality attempts to take into account limitations in the knowledge and cognitive capacity of decision makers as a means of explaining why some choices are not always optimal. It suggests that policymakers are limited in their ability to gather and process information, and rely on 'rules of thumb' to make 'good enough' decisions (Simon, 1990; Simon, 1972).

In navigating this constraint, it suggests that given their limited capacity for understanding and processing, decision makers often have to rely on other streams of information, choices, and framing to inform their decisions. Ministers and officials alike are characterised by bounded rationality and their capacity to process and order priorities, information, and preferences and this produces bounded rationality in governments as well as individuals (Lodge and Wegrich, 2014). Being a particularly complex system, LGF reform is severely limited by bounded rationality. As such, decision makers must delegate and rely on institutionally constructed rules of thumb (Dequech, 2001, pp. 920-922). This has resulted in LGF often being tackled via consultations and commissions, as can be seen throughout all three case studies.

Decision-makers may be constrained by both bounded rationality and rules of the game, yet agency still remains important. Navigating compliance, (re)interpreting rules, and enacting them in the real world creates a "great deal of play in the interpreted meaning of particular rules or in the way the rules are instantiated in practise" (Thelen and Mahoney, 2009, p. 12). The pressures on local government for instance vary greatly depending on the broader macroeconomic conditions. During periods of retrenchment, the expectation to conform to national economic policy are significantly heightened as the enforcement of targets becomes considerably more important to ministers. At the same time, these same periods often increase social problems, producing conflict over the role of local government (Hepworth, 1988, p. 256). Throughout the 1980s for instance, there was continuous reinterpretation of the rules and how they can be applied from both sides, resulting in the tightening of targets and threat of grant penalties from central government, and 'creative accounting' from local government on the other. More recently, the growth of 'directed spend' may also be understood as a reinterpretation of the existing rules. Having committed to reducing ring-fencing, the Scottish Government have in recent years expanded more informal controls in spending as a workaround. This suggests a flexibility which may result in divergent institutional change in time.

8.2.1 Agency meets Structure - A 'Common Policy Style'?

Both bounded rationality and institutional constraints are reflected in the 'common policy style' of the UK. Identified by Cairney (2008, p. 353 citing Jordan and Richardson, 1982) it is seen as having three main elements:

> (1) a predilection for consultation with interest groups;
> (2) a strong desire to avoid actions which might challenge well entrenched interests; and
> (3) the avoidance of radical policy change

This echoes the argument of Marsh and Hall (2007, p. 215) who argue in response to Bevir and Rhodes (2004) that: "(i) there is a dominant British Political Tradition that underpins the institutions and processes of British Government; (ii) this dominant tradition fits very happily with the interests of politicians and civil servants; (iii) challenges to it have to be made within the context of both the institutions and processes underpinned by that view and the continued dominance of this view, particularly in the thinking of politicians and civil servants". Whilst these ideal-type models are increasingly challenged, they still continue to characterise the British system and the asymmetries within it (Marsh, Richards and Smith, 2024).

This policy style is well represented in local government finance, and case studies 1 and 2 can be seen to clearly demonstrate this. Where change has occurred it has rarely been radical (of the type that Layfield advocated for) and has rarely threatened the 'entrenched interests' of the state or the governing party (the 'winners and losers' problem exemplifies this). This 'classic' policy model has a functional as well as institutional and instrumental logic as demonstrated by the bounded rationality of actors in policymaking through the use of commissions and consultations. This is particularly important for decision-makers whose policy interests lie elsewhere – such as in 1976 and 2015 in which local government finance reform had not been a primary focus until pressure had amassed. When a policy area is neither a speciality or a crisis, the effects of bounded rationality are amplified as policymakers prioritise pressing issues which they are more capable of contributing to.

There is nothing to suggest that, had it not been for the crisis triggered by the 1974 revaluation, domestic rates and the wider system of local government finance would have been high on the agenda for reform. Despite the growth in local government expenditure, neither of the parties expected to form a government had made manifesto commitments to suggest that wholesale reform was on the agenda in the February 1974 election . Whilst Labour take shots[49] at the Conservatives for dragging their heels on Rates reform in the October (post-crisis) election manifesto, there is no mention in either party's February (pre-crisis) manifestos of reform. Only the Conservatives make any mention of finance in their Rates relief policy and proposals for greater financial transparency (The Conservative Party, 1974). It could therefore be assumed that no key decision-maker in either party had local government finance at the forefront of their personal interest or reform agenda. The lack of any clear ideologically driven proposals suggests reform would follow the 'common' policy style, which it does in the event.

By contrast, LGF reform was at the core of Margaret Thatcher's agenda and had been for many years, even in opposition. Having acquiesced to the common policy style in her early years and apparently unsatisfied with the results, she found a radical solution in the Poll Tax. Sustained focus, coupled with an *ideological* single-mindedness, weakened the effects of 'bounded rationality', whilst her new found commitment to radicalism (King and Crewe, 2013) and position of power enabled her to overcome otherwise high institutional barriers. Although the Poll Tax was ultimately unsuccessful, the broader package of reforms did succeed in reshaping much of local government finance and 'reset' expectations. John Major, understanding the political necessity of replacing the Poll Tax, was similarly driven by a *political* single mindedness but lacked the same ideological obsession with local government. As evidenced in Case Study 2, the cabinet was focused primarily on the short term and the need to produce a 'good enough' replacement for the Poll Tax. As a result, reform *was* achieved but the replacement was very much in keeping with the previous status quo which allowed it to be readily accepted.

The picture in 2016 was somewhat different. The SNP had promised to replace the Council Tax in their 2007 manifesto and had frozen it since. However, once in power their ambition had foundered when faced with the political and electoral realties of reform. These political economy challenges only grew as their popularity and share of the vote increased through the 2010s. Moreover, there lacked an obvious consensus solution within

[49] "Everybody realises that the increasing responsibilities of local authorities must lead to reconsideration of the whole question of local government finance. The last Tory Government consistently rejected any alternatives to the rating system. And it bequeathed to Labour this year's massive rate rise. This record proves that their new proposals are vote-buying moonshine" (Labour, 1974)

the party itself, nor was there an ideologically determined leader in this period willing to lead their party from the front on the matter of LGF reform. This ultimately meant that the 'common policy style' played out and the status quo was maintained. Once the freeze had become unsustainable, their Commission on Local Tax Reform sought to provide answers to parties open to change but not ideologically committed to a particular strategy. Whilst valuable, it did not lead to radical change or threaten entrenched interests.

This common policy style describes the typical strategy for policy reform, encompassing the normal limits of decision-makers to tackle complex issues and demonstrating the institutional constraints placed on acceptable preferences for reform (even if the options produced from commissions are typically more radical). The role of individuals and their position in the hierarchy is clearly important here. The only case study to challenge this common policy style (and the only critical juncture which produced considerable change) is to be found in the 1990s. Only Thatcher's attempt to radically change the fundamentals of LGF and LDTP produced a break with custom, and only Major's response cemented lasting change. Understanding the role of individual political will in challenging institutional forces in Case Study 2 is most helpfully explored through a discussion of path dependence.

8.3 Local Government Finance: Path Dependent?

Pre- and post- devolution a key conduit for centralism has been local government finance. Based on the institutional forces which reproduce centralism, and the extent to which Scotland is particularly sensitive to these forces, to what extent can it then be suggested that local government financing in Scotland is fully 'path dependent'? It is argued here that the concept is useful, but only once given sufficient clarification. Understanding these qualifiers helps us to understand the 'common schizophrenia' (Lowndes, 2005, p. 291) in the literature which describes 'a lot of change, and not much change at all' (SPICe, 2019). Understanding this confusion requires (re)constructing some common mistakes in the discourse.

Firstly, it is important here to highlight that whilst often used interchangeably there is a distinction to be made here between local government finance as the wider system and local domestic tax policy as the specific 'public facing' element of this system. The system of local government finance policy is the amalgamation of multiple and overlapping *policies* which have evolved and combined over time, each with their own components and levers to adjust. Whilst it is true that many of these levers have remained untouched for many years, when understood as a single cohesive body of policy these changes follow no patterns which demonstrate path dependence or increasing returns. Indeed, there are many elements of LGF not addressed in this thesis which demonstrate relatively substantial divergence and dynamic change including charges, loans, and community budgeting.

That is not to suggest that *elements* of local government finance might not have path dependent qualities. Indeed, there is an argument to suggest that the primary policy focus of this thesis -domestic local taxation- could be described as path dependent. At first glance, there is a path dependence of sorts across the first and second case studies - the existence and persistence of a domestic property tax which was administered and retained by local government, and which contributed to the same proportion of their budget. This broad conception of domestic property tax could support a path dependence argument if viewed in isolation but falls apart on closer inspection. How would such an argument explain the proceedings of Case Study 2, for instance, which represents a clear material change in even the domestic element of local taxation? The brief discussion in Figure 3 draws out this logical challenge for the research

Figure 3. The Challenge for Path Dependence

Understanding what constitutes a fundamental break in precedent is theoretically challenging however Peter Hall’s theory of paradigm change offers some clarity. Hall (1993, pp. 278-279) suggests that policy change can be either first, second, or third order. They are defined thus:

> *First Order Change* - a process whereby instrument settings [such as tax rates] are changed in the light of experience and new knowledge, while the overall goals and instruments of policy remain the same
>
> *Second Order Change* – a process whereby the instruments of policy as well as their settings are altered in response to past experience, even though the overall goals of policy remain the same.
>
> *Third Order Change* – a radical shift which entails simultaneous changes in all three components of policy: the instrument settings, the instruments themselves, and the hierarchy of goals behind policy.

The switch to Council Tax, in isolation, would appear to be a third order change. The move from the Poll Tax which was a tax solely on individuals (the instrument), levied as a flat rate (the instrument setting), and designed to strengthen the 1:1 accountability of local authorities to individual members of the electorate (the hierarchy of goals), to a domestic property tax (the instrument), levied against the value of your property (the instrument settings), designed to link a property's value to the benefits it receives (the hierarchy of goals). Such a change would most certainly represent a path breaking 'third order' change. However, when viewed in the wider timeline of reform, it is the Poll Tax *itself* which is the third order change, with the above process unfolding in reverse in 1989. Yet as a short-lived policy *failure*, it does not result in a new paradigm[50]. Within this context, Council Tax looks far more like a second order change of the previous path (The Domestic Rates), but only if the Poll Tax is understood as an aberration.

Would it be more realistic then to describe the events of 1989-1991 as path breaking, course correcting, or path reaffirming? This problem produced a range of normative views in the data – supporters of the Council Tax were likely to view it as a path breaking change whilst opponents were likely to draw out the similarities to the previous system (although this was not universal). Whilst the former suggests path breaking (however small a change and however new a path) the latter suggests continuity as the path of domestic property taxation has been reaffirmed. Peters, Pierre and King (2005, p. 1286) identify a similar challenge (which they attribute to the qualitative nature of HI):

> "Determining whether a significant change in the dependent variable -policy- has occurred is more a matter of judgement than of measurement. Thus, one person examining a set of data may consider that there has been persistence of the pattern while another researcher might find that there has been a change."

Based on Hall's description of change, whilst the lasting change was not paradigm shifting (as it might have been had Poll Tax persisted) a *change in the instruments of policy* must be considered to have broken the previous path if it is the policy itself which is in question. This is despite the fact that the eventual policy (Council Tax) adopts many (but crucially not *all*) of the principles and features of the previous path. A lighter reading of path

[50] Hall's illustrative example of a second order change is also a failed policy, but this does not detract from its status (p. 281)

dependence might view this as irrelevant given that, clearly, ‘history matters’ – but a stricter reading of path dependence must make this distinction.

Ultimately, the caveats and definitional gymnastics required to describe LGF, and even LDTP, as consistently path dependent across the three case studies defeats its purpose as a descriptive tool in this context, which is uniquely complex. A more plausible application of path dependence would be to describe the Rates and then latterly the Council Tax as *each in their own right* path dependent. Certainly, Domestic Rates has clear cause for path dependence – existing for nearly 400 years and resisting change despite acknowledgement of its inefficiencies and problems, it could be described as being ‘locked in’. Its evolution displays features of increasing returns, becoming ‘causal’ in its own right and shaping the political landscape of local government finance (Campbell, 2012, p. 334). The policy could also be described as developing its own inertia, creating ever-greater costs to those attempting to break it. This is evident in the calculations of civil servants in the 1970s who balked at the challenge of reconfiguring LGF.

Policy feedback effects are particularly clear here. Pierson (1993, p. 603) describes how state capacities are shaped once a particular policy is adopted,

> ‘Policies may encourage individuals to develop particular skills, make certain kinds of investments, purchase certain kinds of goods, or devote time and money to certain kinds of organizations. All these decisions generate sunk costs. That is to say, they create commitments… The viability of policy initiatives often requires the presence of coherent bureaucratic organizations staffed by well-trained, experienced, and respected officials.”

The administrative machinery that underscored the operation of local taxation in the UK is one which has grown alongside a system of property taxation. The necessary staff and legal precedent for collecting Rates, the software and logistical infrastructure to store and process payment, and the associated public bodies like the Assessors and Valuation Office, all emerged and grew alongside a property tax in the form of the Rates. The lock in of mutually supporting policies, programmes, and activities therefore makes it difficult to change just one face on the ‘Rubiks Cube’ of local government (Gibb and Christie, 2015b). Moreover, this created a professional community which produced predictability and efficiencies. When these investments were all jeopardised by the Poll Tax, it created challenges for its operation.

Yet even the Rates took time to evolve and embed (Keith-Lucas and Richards, 1978, pp. 135-141). In contrast, the Council Tax took root remarkably quickly and has seen little change since, less even than the Domestic Rates. Whilst it was beyond the scope of this thesis to consider the conception of the Rates, the adoption of the Council Tax confirms those other features beyond inertia that might be expected of a policy characterised by path dependence – *multiple equilibria*, c*ontingency,* a *critical role for timing and sequencing.* All of these factors are very clear in the data collected, and the Council Tax and all of its inefficiencies have persisted since 1993.

Individually, these are compelling descriptions of the pre-89 and post-93 financial system. As such, it must be concluded that there did exist at least *some* degree of path dependency, and *some* degree of path breaking in 1991, yet it must also be noted that the two paths bare great similarities despite a major critical juncture. In many senses, the reversion to a core model of property tax reflects the sunk cost effects of designing a system of local taxation with property at its core. What emerged was a dialectic product of the institutions, agents, and ideas (Bell, 2012, p. 714). This gets to the heart of the 'common schizophrenia' (Lowndes, 2005, p. 291) at the heart of local government finance literature – there has been simultaneously 'a lot of change, and not much change at all' (SPICe, 2019).

8.4 Inferences

The purpose of this extended discussion has been to introduce three conclusions:

- Institutional forces do exist and produce some path-dependent effects in local tax policy, although this requires some qualification
- These forces could be arguably stronger in Scotland
- Individuals play a key role in reshaping policy pathways and institutions, but to date have largely done so in a way that has enhanced the power of the centre

The discussion in part 2 continues where this chapter finishes, borrowing explanations from punctuated equilibrium (PE) models of change to offer some additional clarity and strengthen our understanding of change and continuity (see Section 3.3.2). Whilst stricter models of PE draw harsh lines between processes of change and continuity not aligned with this research's philosophical leanings, a pared back PE grounded in the "interaction of political institutions, interest mobilizations, and boundedly rational decision making"

(True, Jones and Baumgartner, 2007, p. 58), could offer additional value across the three case studies and frame the themes explored in Chapter 9. In doing so, it develops a discussion on temporality, agendas, asymmetries.

9 Discussion: Windows of Opportunity

The importance of key individuals in driving reform *and* shaping policy outcomes was crucial in understanding whether or not reform took place, and what shape that reform eventually took. What does this tell us about the priorities of policy makers across all three case studies? Where was reform on the agenda across each, and how was this controlled or influenced? How did this translate into policy action? Timing, sequencing, and speed in the agenda setting and decision-making processes emerge as important avenues for exploration when considering the triggering and outcome of critical junctures. This chapter will build on the foundations of Part 1 - first looking at agendas, timing, and sequencing as it relates to the (pre-decisional) reform agenda. It will then unpack the role of ‘speed’ within critical junctures to understand how windows of opportunity are capitalised on when policy decision-making begins. Finally, it looks at how these processes produce ‘success’ or ‘failure’, and for whom.

In Part 1 of the discussion the nature and consequences of institutional forces were explored within and across the three case studies. Doing so allowed for specific insights into each, whilst enabling more general conclusions to be drawn about the longer-term trends. It found that whilst local government finance (LGF) policy was not fully path dependent, both the Rates and the Council Tax independently exhibited path dependent characteristics. Even though the tax arrangements on each side of the critical juncture looked remarkably similar, it could be argued that this bears similarities to models of change outlined in PE. Using this framing, the remaining discussion borrows a focus on agenda setting to offer some additional clarity on the role of individuals within institutional settings. In doing so, it looks at the effects of temporality and asymmetries in decisional and pre-decisional processes.

9.1 Recap

Across all three case studies, the position of reform on the agenda was used to explain the outcome of critical junctures. Two separate narratives emerged when comparing successful and unsuccessful attempts to reform. For those outcomes which did not produce major change, evidence suggests that the machinery of the state (commission and consultations) was used in attempt to control an ‘unfavourable’ public agenda and buy time to respond to a considerable political challenge. In setting up commissions, governments delayed action and bought time to prepare a response and/or allow pressures to abate. This had the added benefit of ‘being seen to be doing something’. In delaying action, they had exerted a degree of influence over the agenda, allowing them to focus on other priorities whether this be macroeconomics or electoral concerns.

By contrast, reform found itself at the top of the political (if not public) agenda in 1987 when the Poll Tax legislation passed after a strong electoral performance from the Conservatives. Before other priorities could displace it from the agenda, the timing and speed of the legislation ensured that policy change occurred. Notably, this period did not involve the use of commission or extensive consultation and was driven by political will. This strategy brought its own challenges, and, for somewhat different reasons, reform continued to be at the top of the agenda ultimately resulting in the introduction of the Council Tax. Crucially, LGF was both a macroeconomic and electoral priority, ensuring that it remained at the top of the agenda until dealt with. Here the timing and speed of reform were still important but resulted in a more ‘successful’ outcome, despite the clear problems with the design of the policy.

Clearly the speed of decision making and policy formation within critical junctures has had a bearing on the final shape and success of reform. In 1976, there is evidence to suggest that the decision was made very quickly to rule out any possibility of accepting Layfield's binary choice. This early decision (before it was even published to the wider public) is shown to have refocused energies immediately on the Government’s own conception of a middle way, effectively meaning that Layfield's analysis was dead on arrival. This decision was made by a tight group of decision-makers whose influence was heightened within the short policy window. This is also true of Case Study 2, where it is clear that the policymaking process was led by a tight group of ministers and their aids (to the exclusion of local government and Scottish opinion), in which the Treasury and the DoE wrestled for power. The speed of decision-making *within* critical junctures seems to amplify existing asymmetries and comes with political and policy trade-offs.

The effects of ‘speed’ in in Case Study 3 are less clear, although there was some suggestion that the Commission’s report was also dead-on arrival as Layfield’s had been, and that advisors may have influenced this rapid rejection. A lack of archival data for Case Study 3 makes such inferences difficult. However, temporality is still an important dimension in this case study, particularly as it related to the agenda setting process. The decision to use the Commission as a means of providing policy options for *after* the election does appear to have weakened its influence whilst providing an ‘out’ for

Government. In different ways, dimensions of temporality are important for understanding the reform process.

9.2 Agendas and Temporality

A key dimension of the reform process is timing. To understand timing, and when ‘the time is right’, it is worth turning briefly to the literature on agenda setting. Zahariadis (2016, pp. 1-2) suggests that the study of agendas and agenda setting emerged from a key observation in the 1960s – that public problems are often detached from political priorities. He goes on to suggest that the foundational texts which informed this observation are from Bachrach and Baratz (1962) and Schattschneider (1960). For Bachrach and Baratz (1962) governmental decision-making is primarily concerned with winners and losers, as Zahariadis (2016, p. 2) elaborates:

> “Policies reflect not only the preferences and power of those groups whose problems have been addressed but also the ability of the same groups to limit subsequent institutional attention to only those issues that reinforce or augment the status quo. They observed that some institutions were imbued with certain values that make some points of view difficult, if not impossible, to hear.”

Similarly, Schattschneider (1960) observed that political systems are inherently biased and are “loaded and unbalanced in favour of those in power” (Zahariadis, 2016, p. 2). This means that the problems that government institutions concern themselves with tend to be “those that interest and affect the elites and well-organised” (*ibid.*). When these observations are considered alongside the assumptions that policymakers are risk-averse and pre-disposed to short term issues rather than long term problems, it is no surprise that both problems and solutions tend to only marginally deviate from the status quo (Pierson, 2000). Such a reading fits neatly with observations of the policy process so far which is shaped by the institutional constraints as well as the bounded rationality of decision-makers. However, policymakers must also respond to exogenous shocks and crises as issues move up the agenda and force action.

Cobb and Elder (1972, p. 905) define the term agenda as “a general set of political controversies that will be viewed as falling within the range of legitimate concerns meriting the attention of the polity”. This ‘systemic’ agenda was compared to the ‘institutional’ agenda which they viewed as being a “a set of concrete items scheduled for active and serious consideration by a particular institutional decision-making body" (Cobb and Elder, 1972, p. 906). The disconnect between the two, and the movement from one to the other, was their primary concern. Their assessment was based on four observations (Cobb and Elder, 1972, pp. 901-904):

1. The distribution of influence and access in any system has inherent biases
2. The range of issues and alternative decisions that will be considered by a polity is restricted
3. The system's inertia makes it extremely difficult to change the prevailing bias that determines which issues and alternatives are viewed as legitimate concerns
4. Pre-political, or at least pre-decisional, processes are often of the most critical importance in determining which issues and alternatives are to be considered by the polity and which choices will probably be made

These assumptions have clear overlaps with the HI approach, offering a sharper focus on the *pre-decisional* processes which ultimately shape the trajectories of change and continuity. Moreover, the foundational literature also introduces the power asymmetries and imbalances which may affect an agenda. This initial conceptualisation was useful in understanding how public concerns translated into government concerns but says little about priorities once it has "come to command a position on the agenda of legitimate political controversy" (*ibid.*, p. 904).

Kingdon (1995) expands on this by adding a 3rd type of agenda – the 'decision agenda'. This addition serves to clarify the very limited number of issues which are at the forefront of government attention at any given time. This tier of agenda denotes the issues which are being considered for active reform. Issues can always enter and exit the agenda as a result of political cycling (Downs, 2016) or exogenous shocks, however a general rule of thumb is that issues at the top of the agenda are more likely to see immediate action. The decision agenda is none the less the most important for understanding how issues translate into policy change in the short term.

Kingdon's key contribution is his Multiple Streams Framework (MSF). This approach understands the decision-making stage as beginning once three independent processes or ‘streams’ converge in the agenda stage, opening a window of opportunity[51]. Once opened, ‘entrepreneurs’ seek policy change by pushing their own problems and solutions on to decision makers (Kingdon, 1995, p. 165). The processes (‘streams’) in which agendas are set and alternatives are specified are recapped from Section 3.3.2 here:

> *Problem Stream.* Policy problems that capture the attention of government officials through various mechanisms including indicators, focusing events, and feedback (Kingdon, 1995, p. 113)
>
> *Policy Stream*. The gradual accumulation of knowledge and perspectives amongst the specialists in a given policy area and the subsequent generation of policy proposals (Kingdon, 1995, p. 17)
>
> *Political Stream.* “Composed of such factors as swings of national mood, election results, changes of administration, changes of ideological or partisan distribution… and interest group pressure campaigns” (Kingdon, 1995, p. 162)

These three processes shape the agenda and specify alternatives for consideration. Whilst the problem and policies streams have some overlap, the political stream “flows along according to its own dynamics and its own rules” (Kingdon, 1995, p. 162) and is an “important promoter or inhibitor of high agenda status” (*ibid.*). When these come together at critical times, “solutions become joined to problems and both of them are joined to favourable political forces” (*ibid.*, p. 194) to trigger decision-making processes. Policy windows are then opened “either by the appearance of compelling problems or by happenings in the political stream” (*ibid.*, p. 194). Applying this theoretical lens to the empirical data, it can be argued that whilst Case Study 2 has all three streams converging in the right moment, there is not the required convergence in Case Studies 1 and 3 at the correct time.

9.2.1 Timing

During Case Study 1, a rating crisis acted as a focusing event to draw attention to the problems with local government and its financing. These issues were not new, yet came to be defined as a problems by the media who acted as ‘problem brokers’ in changing the

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[51] Whilst a window of opportunity may be a critical juncture, and whilst a critical juncture might also be a window of opportunity, they are not always linked together.

framing of the issue after the revaluation of 1974 (Knaggård, 2015). Once attention was focused, the perceived swing in national mood and the associated electoral consequences forced a convergence of the *problem* and *political* streams, boosting reform up the agenda. This triggered the Labour Government to action but lacking a clearly worked up policy *alternative,* and the political will to carry it out, they instead opted to establish a commission. Whilst ultimately valuable and useful, this also served to 'kick the issue into the long grass' where it slipped down the agenda. By the time policy entrepreneurs had successfully advanced a solution and coupled it to the problem, the political stream had separated – there lacked the same fervour of public outrage (real or manufactured) and political pressure. Without all three streams simultaneously, no window opened for significant policy change and the issue fell off the agenda entirely.

Of Case Study 3, there lacked *any* meaningful convergence of the streams. The cumulative costs of the Council Tax freeze had reached an untenable position for the Scottish Government which developed the issue into a problem, but this was not successfully coupled to a solution by policy entrepreneurs in and around government before the decision to set up a commission was taken. This decision could have produced a positive outcome for reform – it could have coupled the problem and policy streams in time for a potential development in the political stream (the 2016 election). Yet in designing it to report *before* the election the commission was essentially doomed to fail, crowded out as it was by a highly volatile and busy agenda in the run up to the election. By the time the election period had passed, energies for reform had dissipated in the policy stream. Moreover, the internal champion for reform (the Minister and co-chair, Marco Biagi) had left government, further weakening its position on the agenda. Whilst the problem remained, the window for reform had ultimately passed.

By contrast, all three agenda streams converged to eventually produce the Poll Tax and then latterly the Council Tax. The problem resurfaced onto the agenda during the 1985 revaluation crisis and found a policy solution in the Poll Tax which was met with the 'fervour of a convert' in Margaret Thatcher (King and Crewe, 2013, p. 45). In 1987, the unexpectedly emphatic win for the Conservatives (who had local government finance reform at the top of their manifesto and agenda) produced the necessary conditions for the three streams to converge and open a window of opportunity which ultimately delivered reform. This example, whilst not the explicit focus of this thesis, provides a textbook example of Kingdon's MSF. Ultimately, this did not produce lasting reform and instead the Poll Tax would itself become subsumed into the problem stream, acting as a focusing event in its own right. This captured the attention of policymakers and simultaneously triggered an administration change, activating the political stream. In this instance, the Council Tax had been picked out from the 'policy primeval soup' (Kingdon, 1995) having been suggested by Heseltine in the 1980s as a possible option. With the convergence of all three streams and reform now high on the agenda, the Council Tax emerged from the window of opportunity that was created in 1991.

The discussion so far would suggest that the agenda-setting and alternative specification processes operate largely independently of individual control (albeit with their *input*). In reality, policy actors are both influenced by, and influencers of, the agenda. With Case Studies 1 and 3, for instance, decision-makers were forced to action yet could exert some control over the agenda in establishing commissions. Commissions can be a valuable tool to escape normal institutional forces and overcome the individual limitations identified by bounded rationality by inviting alternative perspectives and allowing for a thorough investigation of a problem from several different angles (Inwood and Johns, 2016). However, they also take time, and their recommendations are not binding. For this reason, they can also serve an instrumental purpose and see an issue 'kicked into the long grass' to be dealt with later or by someone else. Rowe and McAllister (2006, p. 104) suggest that "there are almost always political motivations" behind the creation of commissions.

There is relatively little research on commissions as an instrument of policy formation in the UK considering their extensive use by British, devolved, and local governments, the third sector, and the Crown (although the number of royal commissions has rapidly declined in the last 50 years). The latter produced some interest in the 20th century (see Lauriat, 2010 for a useful review of this material) yet the only substantial work on *non-royal* commission comes from Rowe and McAllister (2006). They suggest that whilst commissions can express a "genuine spirit of inquiry" (such as the McIntosh Commission, as they saw it) there is "certainly evidence to support more cynical understandings of the roles of commissions" (*ibid.*, p. 105). Summarizing critiques found in Cloike and Robinson (1937) and Hallet (1982), Rowe and McAllister (2006, pp. 104-105) suggest that these more 'cynical understandings' can be captured as:

- To back up a government decision already made
- Passing the buck for solving a problem
- Forestalling criticism by presenting the appearance of action

- Kicking a topic into the long grass
- To stave off pressure
- To postpone an awkward issue
- To ‘information-bomb’ the public so as to make them lose interest

Control of the agenda in this way might be referred to as *negative* decision making (deciding not to act or deciding not to decide) (Bachrach and Baratz, 1963, pp. 641-642). It is a strategy of *bias mobilisation* which protects entrenched interests through ‘hidden power’ (Schattschneider, 1960), preventing certain issues from threatening the status quo – both of which have been explored throughout this thesis. The decision to avoid revaluation, for instance, could fit this explanation. In taking such a decision, successive governments have avoided potential flash points which may threaten their interests. This has been a learned strategy – there is clearly an institutional and political memory of the turmoil caused by previous revaluations and bill hikes. Rather than letting the agenda be dictated by predictable shocks, the decision is taken to stall action.

Similarly, control of the agenda can also be exerted through *non-decision* making. Bachrach and Baratz (1962; 1963) describe how ‘non-decisions’ can also prevent an issue becoming politically salient, even when external pressures attempt to push it further up the agenda. Expanding on this, Cobb and Elder (1972, p. 905) suggest they are equally as important:

> “In fact, the fate of an issue may hinge as much on "nondecisions" as on formal decision-making… Through the manipulation of bias and prevailing values, those who wield power may stifle, or reinterpret an issue and thus prevent it from gaining agenda status.”

The practice of “limiting the scope of actual decision making to ‘safe issues’” ensures that policymakers limit their exposure to risk (Bachrach and Baratz, 1962). Crucially, non-decision making is not the lack of a decision, but rather “a decision that results in suppression or thwarting of a latent challenge to the values or interests of the decision maker” (Bachrach and Baratz, 1963, p. 632). The freezing of the Council Tax could be argued to fit this mould.

As it relates to the agenda, Rose and Davies (1994, p. 57) suggest non-decision-making is "the exclusion of some alternatives from the agenda of collective choice because dominant values make them politically impossible for the moment". Both negative and non-decision making were highlighted throughout the case studies as important factors in understanding why the 'nettle had not been grasped', however *nondecision* making is a more challenging concept to measure and analyse being that is not just hidden but also attempting to describe a hypothetical outcome that has ultimately *not* happened.

How the agenda is influenced has also been extended to explain the eventual choices of decision makers during windows of opportunities themselves. Whilst Kingdon (1995, p. 3) is clear that he is only concerned with agenda setting, attempts have been made to show how the initial parameters established by agenda setting translate into policymaking (Howlett, McConnell and Perl, 2015). Kingdon (1995) suggests that during agenda setting there is also a dual process of alternative specification, and this provides a key link to the decision-making process. As Dequech (2001, p. 913) highlights, people and organisations pursue multiple objectives some of which are conflicting or contradictory – the limits of their cognitive capacities are such that they cannot consider all of the alternatives and must "adopt a process for generating alternatives". This relies on the dual agenda setting/alternative specification process to ultimately guide decision makers choices.

Whilst it is possible that innovative solutions emerge from previously silent policy entrepreneurs, it is more likely that these policies have been in the 'policy primeval soup' and have 'softened up' over time so that they are ready to go when streams converge (such as Poll Tax, first considered in 1981, or the Council Tax itself, the rough outline of which was first suggested by Heseltine in 1985). In this stage, agendas and alternatives are being specified to the exclusion of non-viable options (for instance local income tax which never permeated government policy circles in the 1980s but which did gain traction in the years before and since). These options must be acceptable to policymakers and others in the 'political stream' and are therefore shaped and reshaped by individual preferences, public demand, institutional forces, and political ideas in the process of 'construction and winnowing of alternative' (Barzelay, 2006, pp. 253-254). This creates a feedback loop of sorts whereby the agenda influences decision-making, and past decision-making influences future agendas.

9.2.2 Sequencing

Not just timing, but sequencing, can also be said to be an important temporal consideration in thinking about LGF reform. For Jupille and Caporaso (2022, p. 20), agenda setting literature shows that "any point in an issue space can be reached through a specified series of moves, meaning that public choice outcomes can be thoroughly chaotic or, with the requisite proposal and gatekeeping/cloture power, thoroughly manipulable". Thinking about the research's case studies, the order of reforms and decisions had significant impacts on the outcomes of the critical junctures as a result of both 'chaos' and 'manipulation'.

The implementation of the Poll Tax is widely considered a blunder (see King and Crewe (2013), as was its early introduction in Scotland. This decision, which was ultimately political, led to considerable backlash which primed opposition to the tax in England and Wales when it was rolled out the following year. A 'false impression' that the new tax would be more popular in Scotland and Wales also served to weaken the Government's previous confidence and embolden opposition against Thatcher. Bailey (1990, p. 58) suggests that that the necessity of local tax reform meant that this could not be described as a "self-inflicted nightmare", noting that a local income tax would cause the same problems, yet this is a rather forgiving view of the implementation. The choice to do it first, and quickly, in Scotland was viewed by many as a 'punishment' (King and Crewe, 2013, p. 51) even if there was no evidence to suggest that this was the case. This added fuel to the fire, and saw the emergence of 'can't pay won't pay' campaigns north of the border (Hannah, 2020). The notion that Scotland was a guinea pig is fundamentally tied to sequencing – giving the impression that the country was used to test the policy first. Bailey is therefore incorrect – this was an almost entirely unforced error which formed part of a wider 'self-inflicted nightmare' in the Poll Tax - sequencing played a key role.

Later in 1991, control of sequencing was used considerably more effectively. The choice to initiate a wider review of local government, and the choice to release a number of consultations at once, served to dilute the focus on the Poll Tax. This successfully 'boosted' other items up the agenda and 'flooded' (McCombs, Shaw and Weaver, 2014, pp. 12-13) the problem stream. Here, the *lack* of sequencing was as important as any linear sequence. Another interesting side effect of the Poll Tax acting as a focusing event was that it overshadowed the considerable range of other changes introduced in 1989 which were arguably more consequential for LGF. Similarly, the *lack* of sequencing here diluted attention and played into the limitations of individuals to process an array of complex information.

Looking at the third case study, the decision to start the CLTR towards the end of a parliamentary cycle, so that its recommendations were found outlined *before* the election but only implemented *after* the election, removed what little momentum reform had. This could have been an effective political strategy if the parties were operating in a tight race. However, polling at the time that the Commission's remit was announced had the SNP at a 16 point lead in the 2015 elections[52] (they would go onto secure a 25-point lead), whilst the first polls after its publication were polling the SNP with a 31-point lead in Holyrood[53] (which became a 23- and 18-point lead in regional and constituency votes respectively on election day). SNP support remained strong throughout the entire period suggesting there was little likelihood of any other party assuming power in 2016 (without SNP forming some part of the Government). The main political barrier clearly was not party political, but rather one of political will – sequencing the commission as such did not help overcome this barrier. A more effective strategy to pressure the next government to action (including themselves) would have been to have the commission report at the start of a new session. This may have boosted it up the agenda, although such a course of action is unlikely based on the evidence from this research.

9.2.3 Speed

The third temporal dimension for consideration is speed - manipulation of timing and sequencing can be key tools of institutional gatekeepers, but their 'power of cloture' can also be used to accelerate an items passage from decision-agenda to policymaking (Jupille and Caporaso, 2022, p. 20). The use of parliamentary guillotine, used for instance with the Council Tax paving legislation, is an example of this. However, the speed of decision-making is found to have different outcomes across all three case studies. Indeed, of the two case studies which did *not* produce significant change there is clear evidence to suggest that Layfield was 'dead on arrival' as a result of the speed of decision-making, whilst the CLTR also appears to have been disregarded very quickly, if not 'on arrival'.

[52] What Scotland Thinks (2015) *Poll of Polls: Westminster Vote Intentions - 22 February*. Available at: https://www.whatscotlandthinks.org/2015/02/poll-polls-westminster-vote-intentions-22-february/ (Accessed: 04/07/2024).

[53] Survation (2015) *January Holyrood Voting Intention – Survation for the Daily Record*. Available at: https://www.survation.com/8926-2/ (Accessed: 04/07/2024).

In the case study which did produce change to LDTP, in the case of the Council Tax, the pace of decision-making resulted in cut corners and a clearer focus on the political, as opposed to policy consequences. Across all 3, speed enhanced the influence of a small number of officials and ministers. What lessons does this teach us in regard to the trade-offs of reform? Does capitalising on priority items on the agenda quickly increase likelihood of reform but result in sub-optimal policy? Returning to critical juncture literature offers a useful insight into the effects of speed on the decision-making process. A reminder:

> "In historical institutionalism, critical junctures are conceptualized as moments of structural indeterminacy and fluidity during which several options for radical institutional innovation are available, one (including possibly institutional re-equilibration) is selected as a consequence of political interactions and decision-making, and this initial selection carries a long-lasting institutional legacy. In this process, actors have real choices and the institutional outcome, albeit constrained by antecedent conditions and the range of politically feasible options, is not pre-determined by such conditions."
>
> (Capoccia, 2016, p. 101)

Speed can be thought of as a function of critical junctures. As critical junctures are relatively short in comparison to the normal policymaking process, decision-making is necessarily accelerated (Capoccia and Kelemen, 2007, p. 348). This acceleration has unique effect – "the choices and intentions of actors become highly consequential, and the possibility of substantial structural change arises" (Jupille and Caporaso, 2022, p. 30). This had consequences for each of the three case studies and resulted in only a handful of individuals making the critical decisions.

This is not necessarily a problem, in fact in times of crisis rapid decision-making can often be a desirable leadership trait, yet it comes with trade-offs. The move to Council Tax in Case Study 2, for instance, demonstrates that speed and decisiveness have both costs and benefits. The situation in the moment required swift action to ensure that the government's timeline could be met, and ultimately end the crisis which had toppled the previous prime minister. Unnecessarily extending any phase would incur increasing political costs for the new administration who were soon to face the electorate. The trade-off is that these rushed decisions 'spent' a window of opportunity, leading to cut corners and locking in a sub-optimal path for the next three decades.

Once a juncture opens with a founding moment (which is not necessarily a single event but may also be the build-up of what were earlier described as antecedent events) the "causal power of agency or contingency" is increased whilst the "constraints of structure" are loosened (Soifer, 2012, p. 1572). This is not to suggest that the influences on the preferences and ideas of actors have been made redundant, but rather that they have increased agency in expressing them. The outcome can be positive (producing change) or negative (change possible but did not happen). Section 5.3.1 demonstrates that the decision to reject Layfield's ultimatum was taken by ministers even before the Commission's report was published to the wider public. The early decision to reject the options set out by Layfield can therefore be seen to be highly consequential – narrowing the range of possible paths from three (centralism, localism, and a middle way) to one (the middle way). Official's energies were instead focused on trying to codify the roles and responsibilities, necessary for a more 'clearly defined' middle way, but they ultimately failed in doing so. This initial, rapid choice can therefore be shown to result in the reproduction of the status quo and the continuation of the previous path – this is described as 're-equilibration' by Capoccia (2007, p. 352).

The decision process above produced a negative outcome before anyone outside of government was even aware of its argument, meaning that reform was unlikely regardless of external pressures according to the logic of critical junctures. The trade-offs of speed here essentially undermined years of work, which produced a widely praised analysis of the system, and reasserted the status quo. Having been rejected weeks prior when an early draft was passed to ministers, the steam was taken out of the main thrust of Layfield's arguments.

This story has played out since, most famously in the case of the 2006 Burt Review which was rejected by then first Minister Jack McConnell before its publication. The Burt Review was similarly praised for its thorough examination of the problems and the quality of its suggestions, yet in rapidly rejecting it the likelihood of a positive outcome is reduced to near zero. We know this need not have been the case as the Burt Review offers an interesting 'living' counterfactual. The main proposal in the Burt Review, primarily that the local tax contribution should be a flat-rate percentage property tax, regularly revalued, and based on capital values, was subsequently adopted in Northern Ireland the following year following their own review (Gibb and Christie, 2015b, p. 3). This review, which was not rejected before publication, was subsequently adopted (a positive outcome) and has formed a relatively stable basis for LGF (which has included a ‘landmark’ revaluation - see Gloudemans and Montgomery, 2008).

It would appear a similar story has played out in Case Study 3 although there is not sufficient evidence to confirm whether this is the case. The rejection of the Commission’s work does appear to be rapid, but the design and timing of the *Just Change* Report makes for a more challenging argument that it was wholly rejected, being that it did change some party-political positions ahead of the election and did bring an end to the freeze, if only temporarily. The balance of evidence however does suggest that whilst the conditions created by critical junctures may increase the likelihood of change, they may also *stymy* change. This happens when decision makers are forced to make rapid decisions without either the necessary time to process different arguments, or before a broader conversation can be had about a commission’s findings. It is still true, however, that as much as the ‘need for speed’ affects decision-making, this is also a political strategy to control the agenda.

Where change has occurred, it could be suggested that rapid decision-making has concentrated the effects of bounded rationality, or rather weakened strategies for responding to it. For instance, speed was central in understanding not just the adoption but also the design of Council Tax. For Hogan and Doyle (2006; 2007), critical junctures encompass “an initial economic dislocation and subsequent ideational change” whereby the main political battles are fought on *ideational terrain* (Capoccia, 2016, p. 97). The economic dislocation of the Poll Tax opens the critical juncture, which is then contested on the grounds of political ideas. When the Poll Tax reached crisis point, there were several different pathways open to decision-makers. Having rapidly settled on the Council Tax, its design also proceeded at pace and involved a series of ideational conflicts and trade-offs. We can see from the evidence in that the majority of the decisions were taken for political reasons, with little consideration of the longer-term consequences, and that these decisions involved intense negotiation between different camps in the Conservative Party[54]. These

[54] Whilst the design of the Council Tax was directed by the DoE and Hesletine, archival documents suggests that Treasury officials exerted great influence on the minutiae of these choices, with very little input from the regional secretaries or local government. Documents describe the role that senior officials have in limiting the more liberal tendencies in the DoE’s proposals through encouraging restraint and financial discipline. These manoeuvres by the Treasury are sometimes directed by the Chancellor but often appear to have origins in the Permanent Secretary and his inner circle. The impressions of Sir Peter Middleton, Sir Terrence Burns and, to a lesser degree, Sir Douglas Wass, are found throughout the archives in the form of private steering meetings and draft feedback/commentary.

ideational battles were fought and negotiated by influential ministers and officials in the DoE and Treasury, and ultimately produced an acceptable compromise. It is important to note that as well as *political* trade-offs, the speed of reform also produced *efficiency* trade-offs. The consequences of this are explored in Chapter 6.

9.3 On 'Success' and 'Failure'

This chapter has explored the role of critical junctures, agenda setting, and the role of sequencing in the reform process, and in doing so has drawn attention to successes and failures. Whilst this thesis is not *exclusively* concerned with policy evaluation in the classic sense, being that it is as concerned with the *non-existence* of a policy and the barriers which have produced this outcome, it still reckons with the concept of policy success and failure. The policy evaluation literature has deep roots which need not be considered here, yet recent contributions from McConnell (2010; 2020, with Grealy and Lea) have advanced this literature and offer some important insights into a core arguement of this thesis – that centralism has prevailed *regardless* of the outcome of a critical juncture, and that this has strengthened over time as a result of the decisions and non-decisions of key actors. On this point, it is worth reflecting on what success means, and to whom.

Where policy evaluation is offered in this thesis, the critical perspective advanced necessarily foregrounds the failures of LDTP. This narrative is an easy one to construct given the long list of criticisms which can be levied at either the Rates, Poll Tax, or Council Tax, and indeed the broader system of local government finance. Yet, as highlighted by McConnell (2010), speaking in terms of success and failure alone is often too blunt an instrument of measurement, and can overlook the shades of grey between the two. In reality, "policy has multiple dimensions often succeeding in some respects but not in others according to facts and their interpretation" (*ibid*., p. 345). McConnell's approach identifies three strands of policy -processes, programs and politics- which may produce successes or failures along a spectrum of outcomes. Whilst a policy may achieve legitimacy (process), be implemented in line with objectives (program), and actively improve the reputation of the government or leader (politics), such outright successful policies are few and far between. The opposite, an abject failure across all three domains, is also rare. More often, policy fails in some regards whilst simultaneously succeeding in others, and it is in taking this disaggregated view that it is possible to paint a more nuanced picture.

The Council Tax in this sense is something of a success despite its many technical failures, with central government ultimately achieving its intended outcome whilst taking the political heat out of the issue. Certainly, as compared to its predecessor, it succeeded in ‘bedding in’ (Richard, 2024) quickly and enduring for the next three decades, thus succeeding where the Poll Tax did not. Even though to many the Council Tax represented a failure, to John Major and his cabinet its introduction was a resounding success. That it still exists today was highlighted in the interviews as a marker of success, reflecting an additional realm of temporality included in updated frameworks from 't Hart and Compton (2019) and McConnell (2020). More recently, the Council Tax Freeze (see Section 7.4.1), whilst being ‘bad policy’ was in fact very ‘good politics’ having achieved many of the goals of the government at the time. Clearly, there is a more nuanced line between success and failure than is often presented in surface level discussion.

This raises another key point: as policy is often viewed through a political lens (whether intentional or not), policy evaluation “is [therefore] an inherently normative act” (Bovens, Hart and Peters, 2001). Whilst more ‘rationalist’ approaches suggest that policy can only be measured through a value-free analysis of the data and evidence produced by measurement of outcomes, this does not effectively capture power dynamics and their distributional effects (McConnell, Grealy and Lea, 2020). To this end, success or failure at least partially lies in the eye of the beholder, and policies which have multiple stakeholders have multiple beholders. Inevitably, this raises the question of policy success (or failure) *for whom*? (McConnell, Grealy and Lea, 2020).

This thesis has outlined that, over the past five decades at least, there has been a drift to centralism. This has been true when reform *hasn’t* happened (when reform attempts have ‘failed’ to produce a policy change) and when it *has* (when reform attempts have ‘succeeded’ in producing a policy change). This suggests that as least as much as success, policy *failure* has produced outcomes which are broadly positive from the perspective of central government. Moreover, policy failures themselves have in fact represented windows of opportunity for central government to consolidate (and indeed extend) its control over local authorities. Once, for instance, the Poll Tax was subsumed into the problem stream (in Kingdon’s terms) this created space for the centre to shape change in a way that more closely aligned with institutional precedent. Or in the case of the CLTR, the ‘failure’ to *produce* change was a ‘success’ for central government, defusing the issue without any power sacrifice and effectively strengthening the existing arrangement through the *reproduction* of centralising pathways. In doing so, these ‘failures’ remove energy and attention from the subject, reaffirming governance agendas and marginalising alternative voices through consigning the issue to the ‘too difficult’ box (Brian, 2024). In this sense – the evolution of LDTP has ultimately been a success for central government, despite its many failures.

10 Discussion: Intergovernmental Relations and Change

This thesis has been relatively narrow in its focus on local government finance and yet has captured a range of evidence which would suggest that LGF is bound to both the organisational structure that local government adopts and the relationship it has with other tiers (or spheres) of government. To that end, potential (or realised) changes to the physical arrangement of multi-level governance has significant consequences for local government and its financing. This third part of the discussion combines these considerations into a broader discussion which explores 'structural' changes and intergovernmental relations.

10.1 Recap

In responding to the Layfield Report in 1976, the anticipation of the Scotland Act in 1978 appears to have limited ambitions to reform local government finance in Scotland. Archival documents suggest that as the potential of devolution becomes more likely, efforts from the Scottish Office and Whitehall to produce a distinct Scottish response tapered off. Prospective devolution served to overshadow local government finance and displace it from the agenda. Decisions were deferred for the anticipated Scottish Assembly, an outcome which proved advantageous to the UK Government who justified their position on inaction by suggestion that it was a matter of democracy. It was also suggested that this hesitancy and inaction was aided by a relative lack of pressure from local government in Scotland and the recent experience of a major reorganisation. The failure to consider form and finance together (along with function) was often viewed as being a hindrance to optimal reform.

The relegation of local government finance in the face of potential structural change is also apparent in Case Study 2. In 1991, the proposals to replace the Poll Tax with the Council Tax were similarly overshadowed by the possibility of another reorganisation. Whilst the initial plan for the local government sought to address the interconnected problems of form, function and finance together, evidence has suggested that the project was not a coordinated effort and rather an attempt to distract and diffuse attention from the crisis of the Poll Tax. In this regard it was successful. Significantly more attention was paid to the re-organisation proposals than to the Council Tax proposals which were viewed as a palatable, if imperfect, replacement. There is evidence to suggest that this may have been the intention of the Government at the time. As compared to the first case study, the key structural change here is not constitutional but rather organisational. Whilst devolution did feature prominently in interviews as being a critical juncture in its own right for local government and governance, this would not come until much later in 1999. Attention instead is concentrated on maintaining the relative influence of regional authorities which at the time wielded great power. The organisational change here can be seen to have *enabled,* rather than blocked, reform of local government finance through the creation of a ‘smokescreen’ to distract from finance.

The consequences of the structural changes of reorganisation and devolution, as well as the threat of further change in the form of independence, were viewed as central to understanding the trend of centralisation in Scotland which ultimately hindered attempts to reform in 2016. The combination of a weakened local government in the aftermath of the 1996 reorganisation and a newly devolved Scottish assembly eager to justify its creation reinforced a path of centralisation which would colour future attempts to reform in Scotland. By 2015/16, with the SNP in power on a platform of securing independence, centralisation was raised again as having produced an iron discipline amongst its members and politicians who were reluctant to upset the delicate balance of their electoral coalition. Independence was also viewed as a distraction to local government finance reform as it became a central organising principle for Scottish political parties and derailed consensus building at both central and local levels of government. Past structural reforms and (potential) future constitutional changes clearly dampened the possibility of reform in 2016, although this was often framed in the context of centralisation and electoral consequences.

10.2 Priorities

These slightly different challenges have been grouped under the single heading of *intergovernmental relations and changes* to reflect the entire organisational context in which local government services are designed and delivered. This includes both ‘internal’ changes such as the number, shape, and size of local authorities themselves, as well as ‘external’ changes such as those to the broader arrangement of multi-level governance. This latter category includes (the potential of) devolution and Scottish independence but may also mean community councils or relationships with supranational bodies like the EU, although these are not considered here. Structural changes, whilst not always taking ‘priority’ on the agenda, appear to either dilute or distract from finance reform. Data has suggested that this strategy may, although not always nor entirely, be deliberate in order to distract from facing challenging questions on finance.

It has long been argued that decisions on local government's form, function, and finance ought to be taken together. Whilst finance may be an especially important piece of that puzzle, it means nothing unless considered alongside the others. Gallagher, Gibb and Mills (2007, p. 2) argue that:

> "Local government finance is often seen as a specialist subject, important but technical, and in the public mind barely comprehensible. Nonetheless, it is crucial to see financing local government and local services as a part of the bigger picture of what local government is for and how it is organised, and not as a distinct piece of financial technology. Too often, review of local finance is done in isolation, and the outcome risks being either minor technical fixes, or, more worryingly, changes to the local taxation system alone without reference to the expenditure being financed by it"

This was the core argument of Layfield as well, who suggested that decisions about finance cannot precede decisions about the purpose of local government and its relationship to the centre. In his view, it was this exact problem which had led to the confusion around local governments function and finance, taking these decisions together would resolve this confusion. It was implied this would also allow for a more sensible conversation about how local government should be practically organised in order to deliver its functions and fund them appropriately (although this was viewed to be too close to the previous reorganisation to be considered) (Committee of Inquiry into Local Government Finance, 1976, pp. 52-55). Layfield bemoaned the 'significant limitations' that this separation from structural issues placed on the Committee's work (Committee of Inquiry into Local Government Finance, 1976, p. xxvii).

Layfield was not alone in wishing for a more holistic approach to local government reform - Michael Heseltine, too, had originally envisaged a broader review which considered form, function and finance together. The initial plan in 1990/91 was for a comprehensive review which considered all three together, but the unpopularity of the Poll Tax meant that the financial proposals had to be accelerated. Decoupling these objectives also changed their individual focus. Gallagher, Gibb and Mills (2007, p. 10) note that the reasoning for the reorganisation was not tied to the accountability debates which had permeated the LGF discourse throughout the 1980s, but rather to "simplify Scottish local government, making it more efficient, and as a response to the pressure for constitutional change in Scotland". With the reviews separated in language and purpose, a process of prioritisation appears to have occurred in which form takes precedence over finance.

It is not clear why this was the case, although possible reasons include the rigidity of the Council Tax proposals and the differing timelines of the reforms. Both consultations were firm in their proposals, and there was little to suggest that they could be blocked or significantly altered, yet reorganisation proposals clearly attracted significantly more attention. Returning to timelines, these could explain the disparity. Clearly the Council Tax was progressing at great pace, but this was not true of the reorganisation which would ultimately take twice as long (Council Tax was in the books in 1992, compared to Scottish reorganisation which was not legislated for until 1994). It is true that the task of reorganisation would likely take more manhours to design in any situation (and indeed the reorganisation proposals were far less worked out than the Council Tax), yet it could also be argued that this longer timeline may have given the *impression* that there would be more scope for change.

It is also not clear whether such a wide-ranging review would have ever been politically viable given the position of Poll Tax reform at the top of the agenda. Additionally, as has been explored already, individuals and governments can only pay attention to a limited number of issues at any given time. Considering the *whole system* of local government and its financing together would require the examination of a multitude of different (albeit related) issues which would involve pulling together a range of different (albeit related) policy communities. This has clearly proved challenging for governments past as evidenced by the lack of such a review to date. Layfield's analysis, despite being bound to finance, still comes the closest to this day and may explain the enduring academic interest in it.

10.2.1 Events, dear boy, events

As highlighted above, Scottish reorganisation itself was at least partially conceived to temper appetite for devolution and constitutional change. This looming question of power transfer was a considerable influence during Case Studies 1 and 3 as well. By the time Layfield reported, not only had the economic picture further deteriorated (creating greater cause for control from central government) but Scottish devolution had become a real possibility which had distracted (and complicated) the recommendations. Such a massive change to the British State was always bound to dominate the agenda in Scotland once it had become a serious possibility, yet the extent to which it was deployed to actively defer action on local government finance is particularly interesting.

The data is clear that the prospect of devolution featured heavily when the report was considered in Scotland and was used as an excuse (however legitimate) to defer action. Johnson (1977, p. 9) argues that the position on funding the new assemblies in March 1977 was for a block grant and that no new sources of revenue (inc. *local* revenue) were envisaged. Indeed, it was not until a later draft of the Bill in November 1977 that tax-raising powers were included, although this provision would not be included in the final Act (Naughtie, 1979). Yet throughout all of the negotiation on tax raising powers, including when it was clear that they *would not* be devolved, the line was to defer. This returns to the challenge (or opportunity) presented by the use of a commission: the time it takes them to report means that circumstances have almost certainly changed by the time they do. In this sense, the Scotland Bill was a welcome distraction. Johnson (*ibid.*, p. 1) opines,

> “By the time committees of inquiry come to report, the problem which they were asked to investigate may have acquired a different character, or the circumstances which occasioned the inquiry may have changed radically, thus modifying the importance attached to the subject of it, or the context of action may have been transformed, thus rendering it improbable that whatever is recommended can or will be implemented. The Layfield Committee seems likely to become a victim of the third of these fates. The problem tackled -how to finance local government services- retains the characteristics it had two years ago and has had for many years; the political and economic circumstances which prompted the inquiry are still with us, though perhaps now modified a little by a growing readiness on the part of central government to leave local authorities to incur the odium of palpable expenditure cuts; but the context within which decisions on the report have to be taken has changed and for the worse.”

As can be seen, this structural theme is also a question of timing and the position of LGF on the reform agenda. It is true that despite the problem retaining the same characteristics and the same political and economic circumstances, the agenda had simply moved on to other, more pressing matters. On this occasion, these pressing matters also allowed for the decision to be deferred until their resolution.

When the Commission on Local Tax reform reported in 2016, Scotland had only two years previously voted to remain in the United Kingdon. Although not necessarily a narrow victory, the independence movement had increased support for a ‘yes’ vote from 30%[55] before the official campaign to 45% on election day, a period of less than six months. The final result was therefore unexpectedly close (at least as compared to early predictions) and had re-established the SNP as Scotland’s dominant party even in defeat. Having made such large gains, the broad church which had come to support the party included a wide selection of the electorate. The possibility of furthering this progress had developed an iron discipline and cautious strategy within the SNP and government who were keen ‘not to scare the horses’. Maintaining this coalition and avoiding any significant challenge to the balance of winners and losers, was one dimension of the constitutional influence over local government finance reform that emerged from the data.

The other dimension was the dominance (and polarisation) of the constitutional question in the political debate in the years that followed. This was viewed as being to the detriment of policymaking and coalition building in Holyrood which had become increasingly divided along partisan lines. The attempt to build consensus on the CLTR was relatively successful in reaching conclusions on the problems with the Council Tax and the need for it to come to an end, yet this ultimately failed to scale up. The Government at the time effectively rejected its conclusions by failing to endorse the recommendations and by ultimately continuing the Council Tax after the election, albeit without the freeze and having adjusted the rate multipliers.

Both of these are effectively based on calculations about winners and losers. The winners and losers’ problem is not a new challenge for reform more broadly or the specific reform of local government finance, however it is noteworthy to highlight that these calculations became tied to a potential structural change at the time, and that this took on two dimensions which ultimately overshadowed LGF reform in the eyes of interviewees. How directly this figured into actual debates and decision-making amongst elites is hard to ascertain from interviews alone, which may reflect the constitutional biases still present in

[55] The final pre-campaign poll from TNS covered the period 21st-28th of May and was published on the 11th of June, 2014

Scottish politics. Once available, archival material will shed further light on this influence. Once again, a structural change to the arrangement of MLG can be seen to relegate or overshadow substantial reform of local government finance. Although a promising approach, the Commission reporting so close to election time meant that it was received in a period of heightened polarisation.

10.2.2 Overcoming Unknown Unknowns?

So, reform is poorly placed just *after* and just *before* major (potential) reforms, and gets overshadowed when considered *at the same time as* function and form – so when *is* the appropriate time for a conversation about finance? As alluded to previously, this requires form, function, and finance to be considered *together* and not just at the same time. Contrary to the wishes of Heseltine, the major reviews of the 1990s were not explicitly linked, whilst the reviews of the 1970s and 2010s were focused exclusively on finance. Taking a more holistic approach to local government finance has been a recommendation for many years and could go some way in designing a better tax, yet even this may encounter problems. It is unclear whether a full review would eliminate the issue prioritisation identified in Case Study 2, or indeed whether such a review would be well received in the moment of its reporting given that it may take considerably longer. Commissions and their influence on the agenda have been explored throughout this thesis and may actually *reduce* the likelihood of reform. Given the extent of research and deliberation in the past 40 years (and the degree of continuity in many regards), there is an argument to skip any review which would involve fresh data collection. Such an approach may limit the degree of politicking and speed up the process, but a 'meta-review' of this kind may not be taken seriously as a result. Indeed, where fiscal reform has taken place, it has largely been irreverent of commissions and consultations.

Ideally, to pre-empt being overshadowed by 'bigger issues' any such strategy should also be couched within the context of a wider review of government that considers the (quasi-)constitutional position and future of Scotland as well. Such opportunities are few and far between but do exist – major structural changes may actually act as an opportunity rather than barrier if capitalised on by policy entrepreneurs. Rather than acting as an obstacle, devolution in the 1970s could have represented an opportunity in which local government could have been considered directly in relation to any new institutions, although timings and agendas prevented this. Had devolution followed in 1978, it is also true that the new assembly may have taken up Layfield's analysis after the fact (albeit somewhat after the critical juncture had closed, suggesting it would have been harder to deliver). It is impossible to know whether such an opportunity would have been seized by a new assembly although evidence from the millennium would suggest that it might not have.

As already explored, reorganisation was another prime opportunity to consider the three elements together, but one which was deliberately avoided. Similarly, devolution in 1999 represented a missed opportunity to radically re-calibrate institutional relationships, and a better one at that given the powers to be devolved as compared to 1978. Thinking counterfactually, it is possible to imagine a scenario where the Poll Tax never happened, and the local government review was never prompted by its collapse. This alternative timeline could have seen a newly devolved Scottish Executive, with its substantial ex-local government representation, make it their first priority to explore the system and funding of local government (as was envisaged by the McIntosh Commission 1999). Instead, the turn of the millennium resulted in a missed opportunity. McFadden (1999) at the time doubted that devolution would fundamentally represent a ‘new politics,’ whether this would still be the case in such a counterfactual is unclear.

10.3 Centre-Local Relations

A final theme which emerged throughout the course of the interviews and secondary research was the decline in centre-local relations in Scotland over the last 50 years. This was often acknowledged as being because of central demands (and indeed overreach) in one form or another. This view was often shared by central and local actors alike, who understood the natural inclination of central government to horde power and exert control as damaging the trust and respect between the two spheres of government. In the 1970s, the relationship was comparably strong, despite concerns over the directions in which it was heading. In Scotland, the relationship may have explained why the newly formed COSLA sided with the Scottish Office in their rejection of Layfield's recommendations, breaking ranks with their counterparts in England and Wales. It was suggested that the relationship was based on trust, respect, and partnership and despite political difference was not combative.

The picture in the 1990s was quite different. The experience of central encroachment throughout the 1980s, which was combative in both tone and policy, had brought the relationship to a new low in Scotland. Not only had policy changes of the previous 10 years stripped local government of much of the freedom they had previously enjoyed but the experience of the Poll Tax had caused significant damage to local authority accounts across the country. At breaking point and already refocusing energies on reorganisation, local government had put up little fight to the Council Tax proposals despite their inherit problems. In 2016, the relationship was also facing considerable strain. A decade of austerity had left local government underfunded and primarily focused on securing more funding, not in recalibrating the financial relationship. Decades of ‘creeping centralisation’ since devolution (despite attempts to the contrary) had weakened trust between COSLA and the centre, now the Scottish Government. Weakened once again, the local government influence on the commission and in the aftermath was viewed as ineffective.

10.3.1 Asymmetric Power

It is unclear what effect this worsening relationship has on *reform*. The local government voice is certainly loud in a chorus of dissent, such as in opposition to the funding targets of the 1980s or in opposition to the Poll Tax. However, it is not clear that the local government perspective in any of the three case studies made any difference to the actual outcome once a critical juncture opened. Regardless of whether relations were comparatively good (such as in the 1970s) or bad (such as in the 1990s and arguably the 2010s), finance reform has largely proceeded (or often, not proceeded) in line with central government objectives. Considered alongside the themes already outlined, the quality of the relationship therefore appears to exert the weakest influence in shaping finance reform. Given the asymmetric nature of the relationship between the centre and the local, the process is primarily top-down. Whilst the consent of local government is welcome, it is not clear that it is essential given the trend of centralisation which has often been against local government wishes.

This supports the view of Wilson (2003, p. 317) who suggests “that, while there is extensive interaction between actors at sub-national level, this should not be seen as a proxy for policy influence.” Wilson suggests that the “the local political arena is characterised less by multi-level governance than by multi-level dialogue” in which subnational actors may participate, but rarely shape policy outcomes (*ibid.*). This view channels what Marsh (2008) describes as an Asymmetric Power Model whereby the pluralities which exists in sub-central governance do not reflect a plurality in power relations. Indeed, “whilst the government sometimes fails to get its way, it still continues to win much of the time” (Marsh, Richards and Smith, 2001, p. 248), a conclusion which Wilson (2003, p. 324) finds few reasons to challenge in the context of centre-local relations. Without legal protection or substantial control over a significant portion of their own budgets (and therefore national economic picture) it is doubtful whether local government's input will carry any weight in actual decision making.

One important role that local government does appear to have in this process is via issue framing and feedback. LGF is complex and multifaceted and is largely inaccessible to members of the public without the facts, figures, and changes being distilled into easily understood messages. In this role, they are able to frame issues – a role which COSLA as a single body is well placed to be particularly effective at compared to its more fragmented sister organisations in England. Speaking with a single voice was viewed as an asset when the organisation had strong leadership, but interviewees suggested that it was more of a liability when the leadership was weaker. Comparisons were often drawn with the leadership abilities of the former President Pat Watters (2001-2012) for his ability to work with all parties and present a united voice, helping to negotiate the Concordat in 2007. Leadership since has been viewed as lacking in comparison. Local government also plays an important function in providing feedback. For Kingdon (1995, pp. 90-115), feedback is a key feature of the problem stream in which indicators, focusing events and communications are interpreted by decision makers. This feedback speaks for itself but is also mediated and reframed by local government.

Whilst the outcomes of Case Studies 2 and 3 would suggest that it is still unlikely, had COSLA framed Layfield in a different light rather than accepting it in full, it may have changed the wider perception in Scotland. COSLA was certainly effective in framing the issues of non-collection during the Poll Tax and contributed to shaping the agenda about the Council Tax freeze, something it was uniquely placed to do because of its role in providing indicators and feedback to central government. When 'weaponized' local government uses this data to apply pressure on central government. Insomuch as COSLA may act as a pressure group on central government, it could be argued that they contribute to moving reform up the agenda. However, as compared to changes in administration and the national mood (the other two main considerations in the politics stream), pressure groups are viewed as exerting a less powerful effect on agendas (Zahariadis, 1999, p. 77).

It should also be noted that these functions operate largely independently of the quality of the relationship itself. That is not to say however, that a particularly strong relationship and high party-political congruence would not lead to less voracious criticism. This may have been at play in the 1970s – a comparatively strong working relationship, with Labour in power in both institutions. It is not difficult to imagine why this would result in a more congenial relationship, one which might reject Layfield for fear of upsetting that balance. This can have other negative consequences – a 2002 report found that “forty per cent [of councillors] thought that COSLA had been too close to the Scottish Executive in policy-making terms [and] only 28 per cent thought that COSLA represented all councils’ interests fairly and equally.” (Bennett, Fairley and McAteer, 2002, p. 25). This perception of being ‘too cosy’ post-devolution was viewed as a negative by grassroots, undermining COSLA’s campaigning role (Bennett, Fairley and McAteer, 2002, p. V) and leading to accusations of sleaze and nepotism (Midwinter, 2000, p. 1)

This relationship may well have quashed some proposals before they even made it out of the gate, but as with non-decisions, such ‘unknown unknowns’ are hard to find. What is more likely is that this dialogue has helped to structure the range of pathways to choose from over decades, but again this is not without its caveats – the Local Government Finance Act (1988) reform would surely suggest that divergent, fully path breaking reform does occur. Further research on how the relationship shapes action and decision making would help to clarify the effect of party congruence. Particularly useful would be comparing the effects of party congruence in ‘the good times’ (characterised by good relations and fortuitous economic circumstances – the early 2000s) as compared to ‘the bad times’ (poor financial picture and challenging relationships – the late 2010s).

10.3.2 Trust and respect

Increased centralisation has correlated with a worsening relationship between the centre and the local, but it is not necessarily the sole cause – a lack of trust is arguably at the root of both. Historically, local government has not always adhered to spending targets even when they were both mutually agreed upon (see Section 5.1), and in the 1980s this increasingly became a deliberate act of defiance to what were viewed as unreasonable limits. On the other hand, local government has often been ignored and disregarded. Whilst working relationships between officials have always remained good, the political context in which they have operated has been one of poor trust. In 1999, the McIntosh Report underscored this need for trust by calling for a “quantum change” in centre-local relations which was based on “mutual respect and parity of esteem” (McIntosh, 1999).

Mitchell (2019, p. 433) suggests that contrary to these hopes, “those who had expected a positive transformational change in relations would be disappointed”. He argues that this is largely the result of two conflicting principles which underscored the 1997 White Paper on devolution: that the Scottish Parliament would establish a national framework within which local government would operate, and that local authorities should be accountable to their electorate (*ibid.*). As a result, there remains a largely unresolved tension between the need for central governments to both hold on and let go. Devolution appears to be a missed opportunity in this regard, although whether any other option was realistic has been called in to question. Indeed, findings from this research both support the assessments of Mitchell (2018; 2019; 2024), McConnell (2004a; 2006), and McGarvey (2002; 2012; 2019a) raised throughout this thesis whilst finding evidence to suggest that this was highly likely given the institutional forces which reinforced centralism.

The McIntosh Report (and indeed devolution) may well have been another victim of unfortunate timing. Fresh from a recent reorganisation and a (relatively) new system of finance for local government, the timing may have simply not been right for reform. Despite having a remit to look at the relationship between local government and the Scottish Parliament, it contained “only three short chapters” on this dynamic and focused the rest of its attention on the second part of its remit which dealt with elections, conduct of council business, and community councils (McFadden, 1999). Moreover, McFadden criticise the report for patronising local government, hinting towards the common schizophrenia identified by Lowndes (2005),

> “There is… a worrying thread running throughout the whole of the Report. It patronises local government. It assumes that local government is caught in a time-warp and has not moved on for decades. This is patently not true. Local government over the last twenty years has had to contend with an onslaught from central government. It has had to contend with an almost impossible financial regime, with compulsory competitive tendering, with a politically inspired reorganisation which has left it weakened. Yet it has survived and in Scotland is relatively popular. Is it too much to hope that the Scottish Parliament will take a less jaundiced view of local government? The answer is probably and unfortunately “Yes”.
>
> (McFadden, 1999)

McFadden was largely correct, with the result being an increase in central control. More recently, their autonomy has been reduced and efforts to reset the relationship (such as the Concordat, and the Verity House Agreement which was broken after only months) have often led to what local government would view as a betrayal of trust. This lack of trust may not be misplaced in either direction, but years of decline and perceived betrayals have left the relationship in a precarious position suggesting that, despite recent commitments to ‘local by default, national by agreement’ (Scottish Government and COSLA, 2023a), central government may continue taking a jaundiced view of local government which will result in more centralisation.

It is difficult to say whether the current relationship is at an even lower nadir than the 1990s - tonally the politics are more consensual and co-operative, but this has largely not been matched in finance policy. This reflects the unresolved challenge presented by Layfield in 1976 which clearly remains today. Layfield was correct in his analysis, without a decision “there is bound to be an increasing shift of power to the centre, but in circumstances in which responsibility for expenditure and local taxation will continue to be confused” (Committee of Inquiry into Local Government Finance, 1976, p. 76). Despite the slow drift towards centralism, this has not been codified in such a way as to make this model work effectively, leaving both the centre and local unsatisfied.

10.4 Inferences

Asymmetries and temporalities have been explored in Chapters 9 and 10 with reference to critical junctures and agendas. The extent to which actors control these conditions has been shown to have consequences for both decision agendas and decision-making, yet they cannot always fully rely on manipulation and must ‘play the hand they are dealt’. Timing, sequencing, and speed have all impacted the outcomes of reform attempts and add another layer of complexity to the forces controlling, and controlled by, individual decision makers. In doing so, they move beyond a description of change and towards an explanation of change – how it emerges, what influences it, and when the ‘time is right’.

It has also explored how both structural change and the centre-local relationship has come to affect the aforementioned agenda setting process as well as decision making. It is possible that to conclude local government finance is often overshadowed by broader changes to the structural context in which it operates. This is at least sometimes a deliberate strategy, but is often simply the result of events outwith local government coming to dominate the agenda. This has been shown to be made more likely by the use of commissions and reviews which take time to report, potentially presenting findings into an unreceptive political landscape.

Layfield's ultimatum has taken on a mystical significance for academics and commentators, and in 2024 it can be seen that his prophecy was largely fulfilled. Centre-local relations have continued to decline with a slow drift towards centralism occurring incrementally and *ad hoc*, without the proper shift in relations to accompany it as Layfield recommended. This has created a positive feedback loop, whereby local government's ability to leverage resistance has been gradually weakened by fiscal constraints. Local government does, however, function as a key conduit for the communication of feedback and indicators to Parliament, and in doing so holds an important role in the problem and politics streams for influencing the agendas government. This role could prove important in future reform, but it is unclear how this role then translates into policy influence.

11 Conclusion

> "Local government finance is often seen as a specialist subject, important but technical, and in the public mind barely comprehensible. Nonetheless, it is crucial to see financing local government and local services as a part of the bigger picture of what local government is for and how it is organised, and not as a distinct piece of financial technology."
>
> (Gallagher, Gibb and Mills, 2007, p. 2)

This thesis has sought to capture the scale, complexity, and rich history of local government finance whilst offering specific insights into the processes of reform. Specifically, it aimed to identify the financial challenges facing local government in Scotland and explore the nature and consequence of these challenges. Having identified these problems, it aimed to assess historical attempts to reform local government finance which have proven a challenge in Scotland both before and since devolution. It has achieved this by combing a long view of local government finance more broadly, with a more focused investigation of local domestic tax policy across three critical junctures. From these, two 'negative' cases shed light on the factors which prevented reform whilst one 'positive' case provided insight into the reform process, how this emerged, and how policy was shaped in this window. Through a combination of archival research and elite interviews with key individuals up and down the decision-making chain, the research extracted a number of findings and themes. In doing so, it has explored not just finance, but function and form as well to understand what underpins centre-local relations in Scotland and how this has evolved since 1974.

The thesis explores these finding and themes in depth in Chapters 8, 9 and 10 at length. This conclusion serves instead as a direct response to the research questions (Section 11.1), offering a reflection on the historical institutionalist approach in the process (Section 11.2). It also acknowledges the research's limitations and suggests avenues for future research (Section 11.3) before offering concluding remarks.

11.1 Research Questions

This thesis was borne from a research problem that posed the reform of local government finance as a highly complex problem, and without broad agreement on the root causes or solutions (that is to say, what it should do and how it should do it). Whilst there has been a rich discourse surrounding this problem in academic and professional spheres, reform has been largely absent from the political agenda in the last 30 years. Looking further back, there was a sense that the financing of local government, particularly the local tax element, had become a highly intractable issue. Despite considerable reform and significant social, economic, policy and political change, the system was remarkably familiar with many of the same challenges unaddressed. Yet there *had* clearly been change in all of this time in terms of form, function and finance. Much of this change had a distinctly centralising bent, often serving to weaken local government or reduce its freedom. Based on this, the thesis sought to address three research questions:

1. To what extent (if any) is local government and its financing evolving, given competing narratives that it is both radically different and yet fundamentally unchanged?
2. What barriers exist to the reform of local government finance, particularly as they relate to local domestic tax policy (LDTP)?
3. How have these barriers been overcome?

In its own right and as an explanation for some of the other barriers to reform**, key to understanding the reform of LGF is the tendency towards centralism**. Centralism as a doctrine within the British State has produced a system of local government finance which has tended to reproduce the pre-existing power relations between the centre and the local, although its evolution is complex and dynamic. For the centre, this has served to reproduce an institutional continuity which has developed over decades. This is particularly true in matters of finance. For the local, this has resulted in an incremental evolution which has produced a far more centrally dependent institution than existed previously. **These tendencies have also contributed to shaping the agenda for reform and potential alternatives.** As a result, there has been a narrowing of the horizon for policymakers, and a stifling of the ambition to grapple with the complexity of the challenge.

As it relates to the wider system of local government finance, this has resulted in a steady increase in oversight and control for central government, although doing so at a much faster rate when ideologically driven individuals occupy position of power. From the turn of the century, there has been a relaxation of some of these explicit controls, yet there is evidence to suggest that this has not fully reversed the trend of the previous century in Scotland with the growth of ring-fencing and directed spend. This indicates that

institutional forces play a key role in maintaining (and further tilting) the asymmetric balance of power. Individuals also play an important role but, to date, this has largely served to reaffirm the influence of the centre in Scotland.

In terms of LDTP specifically, the trajectory has been marked more clearly by 'sticky' models of change and continuity – with long periods of continuity being punctuated by critical junctures. Yet, even within this model, discontinuities have served to strengthen the influence of the centre. This suggests that, even during critical junctures when individual agency is supposedly increased, institutional forces have already partially shaped the range of possible alternatives and actor's attitudes towards them. In the case of local government finance at least, this would suggest that **whilst institutional forces may be weakened during critical junctures, their effects may still be present in the internalised preferences of actors**. This resulted in re-equilibration for Case Studies 1 and 3, and a dialectic evolution in Case Study 2.

This research also confirms a number of barriers which have already been acknowledged in the literature. **Complexity is a key feature of local government and its financing** which has created a range of problems for policymakers and reforms. Not only is LGF inaccessible to the layperson, but its interconnectedness has also created challenges for those seeking to tweak, let alone replace, the existing system. Unexpected consequences and trade-offs make even small changes difficult, such as revaluations. This has created a hesitancy which has in turn resulted in a reliance on commissions and consultations to inform decision-making. Even if limited, these processes take time and may squander the moment as other demands move up the agenda. Wider ranging inquiries, like that of Layfield, take even longer but produce the most robust conclusions and recommendations. Serious reform would need to embrace this complexity and engage simultaneously with form, function and finance within a broader re-evaluation of the centre-local relationship. This thesis casts doubts on the existing strategies for conducting such a re-evaluation, noting that reform of this domain in Scotland has generally proceeded only when led from the front and often with little deference to the outcomes of these processes.

This is accentuated by, and reflected in, a number of asymmetries and ambiguities – from institutional power dynamics to accountability imbalances. Policymaking is complicated by the desire to hold on to power but the need to let it go for pragmatic reasons. Indeed, Layfield based his argument on this very notion. As he saw it, a choice had to be made which placed responsibility with either central or local government and to design a system which reflected that choice. Only a clearly defined relationship would produce the optimal outcomes and limit these complications. Failure to do so would result in an unsustainable dynamic between the centre and the local, and would result in increasing policy challenges (Committee of Inquiry into Local Government Finance, 1976). This analysis has proved to be correct and has yet to be addressed.

Addressing these asymmetries is in many ways about institutional, political and electoral winners and losers. Any change to the current system is likely to produce winners and losers in at least one of these categories. Even relatively small and worthwhile actions, such as a revaluation of domestic properties, would have significant impacts on the distribution of tax payments. Electorally, it has been a consistent finding of this research that 'losers scream and shout and winners say nowt'. Memories of the last such major redistribution of these burdens, the Poll Tax, still casts a long shadow for policy makers. In the modern Scottish context, these electoral pressures are increased by a repolarisation of political loyalties around fragile nationalist and unionist coalitions. Reimagining the centre-local financial relationship would also involve political and institutional sacrifice which would have to be negotiated internally and justified to the electorate. This is particularly true for the centre, but it is also true that local government would have to engage in certain trade-offs as well. Engaging in meaningful reform requires an acknowledgment of this reality and a willingness to justify actions taken.

Underpinning all of this is a lack of political will. Tackling this undoubtedly considerable, complex task which will create a new spread of winners and losers in pursuit of redressing asymmetries, will likely require significant political leadership to achieve. As has been shown, cross party support for reform in principle is not enough to drive policy change and, even during some crises, institutionally embedded reluctance and hesitancy is difficult to overcome. Whilst it is true that these crises may open a window of opportunity for reform, we have seen that this still requires political determination. Such determination can also catalyse incremental but significant reform as well if sustained. This has been particularly lacking in the last 30 years, despite flurries of attention to the subject.

With the above in mind, **the role of individuals in positions of strategic power is paramount**. Up and down the decision-making chain individuals are involved in both policy maintenance and innovation, often at the same time, reproducing and challenging institutional precedent. However, only the political will from key decision-makers at the highest level of central government has been shown to bring about change. The 'right

person at the right time' has been shown to have lasting impact before and such an opportunity is likely to present itself again the future. So far, this political will has often served to enhance a centralist tradition, although this need not be the default.
To our three research questions we might also add one extra question:

1. So what?

What are the consequences of *not* reforming and continuing with 'business as usual'? It is self-evident to say that he who pays the piper will continue to call the tune, but the *decreasing* political returns will only continue to multiply as Layfield correctly predicted in 1976. Greater political instability, a worsening centre-local relationship, and ever-weaker accountability. The democratic consequences of this path are clear and are already being felt in the UK and around the world. A possible exit to this path is presented in the concluding remarks.

11.2 Reflections on HI Approach

The decision to adopt a historical institutionalist approach was taken in light of an initial survey of the literature and the researcher's philosophical perspective. Identifying that the research problem had both a historical and institutional dimension were starting points which resulted in a deeper engagement with the historical institutionalist literature and associated theory. Overall, this research benefitted from such an approach which highlighted historical contingency as an important consideration, although it challenged some of the ideal type models presented in the literature which proved to be too rigid when applied to empirical evidence.

This is complicated by a 'bifurcated' literature which "can present [at least] two completely different and in some ways diametrically opposed conceptions of change" (Streeck and Thelen, 2005, p. 6). At the heart of this problem is that a core pillar of historical institutionalism is path dependence which can act as a useful description of continuity, but often frames changes "*either* as very minor and more or less continuous (the more frequent type) *or* as very major but then abrupt and discontinuous (the much rarer type)" (Streeck and Thelen, 2005, p. 6). This research has confirmed that this approach has limited value, agreeing with Streeck and Thelen (*ibid.*, p. 8) that there are "severe limits to models of change that draw a sharp line between institutional stability and institutional change and that see all major changes as exogenously generated". Stricter models of PET, for instance, draw these sharp lines.

In general, it finds more value in flexible accounts of historical institutionalism as represented in the various works of Kathleen Thelen, and later by Stephen Bell (2011; 2012). This reading allows for a far more dynamic conception of change which reflects the reality that "there [is] often considerable continuity through and in spite of historical break points, as well as dramatic institutional reconfiguration beneath the surface of apparent stability or adaptive self-reproduction, as a result of an accumulation over longer periods of time of subtle incremental changes" (Streeck and Thelen, 2005, p. 8). At the same time, it does allow for elements of path-dependence and discontinuous conception of change found in the 'stickier' accounts of HI.

Table 16 Model of Change and Continuity

		Results of Change	
		Continuity	**Discontinuity**
Process of Change	**Incremental**	Reproduction by adaptation	Gradual Transformation
	Abrupt	Survival and Return	Breakdown and Replacement

Reflecting this, the research finds value in distinguishing between *processes* and *results* of change as Thelen and Streeck (2005, p. 9) do. As seen in Table 16, processes of change can be incremental or abrupt, but crucially both can *result* in continuity or discontinuity. Their model challenges rigid conceptualisations of punctuated equilibrium for instance, which suggests 'real' change only change only occurs in abrupt moments of institutional breakdown (the lower right cell). PE does acknowledge incremental change but often suggests that it results in continuity through adaptation (rather than divergent evolution). This research supports the view of Streeck and Thelen (2005, pp. 8-9) that there also exists space for continuity in the faces of abrupt processes of change ('survival and return') and discontinuity through as a result of incremental 'creeping' changes ('gradual transformation').

Certainly, there are instances of reproduction through adaption which have produced an incremental continuity – LDTP in recent years for instance, has adapted via the freeze to remain fundamentally unchanged. Yet incremental changes throughout the 1980s produced quite radical discontinuities without abrupt breaks, the uncoupling of domestic and non-domestic revaluations or the imposition and formalisation of targets and capping for instance. Similarly, whilst the Poll Tax might represent ‘breakdown and replacement’, the eventual return to a property-based tax (albeit one retaining important attributes of the Poll Tax) *could* be framed as ‘continuity in spite of a historical break point’.

It is here that the HI model founders. It offers little conceptual explanation of a course correction of this nature in which there was a clear break with precedent followed by a swift (but by no means immediate) return to a familiar path, supposedly now forgone. The Council Tax as an evolution which combines principles of both the Rates and the Poll Tax together finds a potential theoretical explanation in Stephen Bell (2011). Bell underscores how continuity and change must instead be understood as a *dialectic* process between institutions, structures, ideas and individuals. For Bell (*ibid.* p. 906), “institutional and structural environments… inevitably help shape agents’ identities, interests, calculations and choices [and a] suitably tailored historical institutionalism which is sensitive to the impact of institutions and wider structures, and which can produce more rounded accounts of agency, is arguably the way forward”.

Bell’s arguments are useful and offer a worthwhile conceptualisation of HI. Many are unlikely to be satisfied with this flexible approach which lacks formalisation and ‘analytical development’ (see Pierson, 2000), but such pursuits often create more problems than they explain. Chief amongst these is the attempt to make the subjective, objective. Peters, Pierre and King (2005, p. 1286) explain this clearly:

> “Determining whether a significant change in the dependent variable -policy- has occurred is more a matter of judgement than of measurement. Thus, one person examining a set of data may consider that there has been persistence of the pattern while another researcher might find that there has been a change.”

Even apparently *binary* outcomes like the continuity or discontinuity of a policy can be challenging. If property tax is still at the core of LDTP today, has it *fundamentally* changed since the Rates? These questions framed the research problem, and whilst this research offers theoretical clarity and new empirical evidence, this element of the problem remains at least partially unanswered. Nor is it clear whether such an answer is even possible.

Similarly, the ‘normative’ challenge in identifying path dependence is also reflected in the identification of critical junctures. Capoccia and Keleman (2007) critique the ‘I’ll know it when I see it' approach to critical junctures, which this research has sought to address by providing a new framework for identifying them. Whilst it has proven effective in doing so, it still relies on normative assumptions which do ultimately require individual judgement. In Section 4.4.3, it was highlighted that whilst Poll Tax does indeed meet the requirements of a critical juncture, part of the decision not to explore it as a case study was that it did not initiate an enduring path, being that it was ultimately its replacement which provided a lasting change. Yet over the course of the research, it has become clear that vestiges of the Poll Tax remain despite its apparent abandonment. As explored above and in Section 8.3, it is more accurate to describe the Council Tax as a dialectic evolution, of the Rates and the Poll Tax, than a novel pathway. Such reasoning implies that the Poll Tax *did* have an enduring policy legacy, despite its abolition.

Finally, the (strategic) ambiguity in the literature as to what precisely constitutes an institution in the first place can be challenging. Peters (1998, p. 206) suggests that institutions shifted from the dependent to independent variable in new institutionalism(s), which seeks to explain their effect *on* policy. Yet, most interpretations of new institutionalist scholarship would include reference to informal rules (values, norms, habits) *and* formal rules. Formal rules may include many things, but in the political domain must surely also include policies themselves. If so, is this to suggest the sentence 'institutions are rule bound through policies' could otherwise be rephrased as 'institutions are institution bound through institutions'? This returns to the normative fallacy of explicit institutional analysis – it requires the researcher to draw lines which are contestable. For instance, even the definition of the 'centre' and the 'local' used here has been critiqued as being too reductive of a complex organisation of departments and public bodies (McGarvey, 2012, p. 161). There is tricky logic here that requires unpicking, and which requires the researcher to draw the lines of inquiry. This does not necessarily jeopardise this research, which arrived at these parameters after both theory and data driven deliberation, but it may not offer the analytical value sought by some.

11.3 Limitations and Future Research

The research encounters some limitations in both its design and argument, some of which are connected to the adoption of a historical intuitionalist approach. For instance, following a theory-led research design required some difficult decisions about case selection. The elephant in the room is that the broader package of reforms introduced alongside the *Abolition of Domestic Rates* and *Local Government Finance* Acts, some of the most significant if not politically salient reforms in living memory, are given comparatively less attention. Whilst the reasoning for this partially reflects the decision to exclude this period from the case studies as set out Section 4.4.3, it is worth restating that the this decision also reflects the fact that this thesis is primarily concerned with LDTP as the most contested element of LGF. The scope and complexity of LGF as a whole system is such that it would have been impossible to consider it in its entirety in the same level of detail, although it has been possible to extract general trends in LGF more broadly from the data. The research has sought to incorporate the 1987 and 1988 Acts as much as possible, yet there are limits to this engagement. A closer look at the other changes brought in during this period, particularly changes to grants and the 'removal' of Non-Domestic Rates, would have offered rich insight to the centralisation argument given their lasting impact.

Relatedly, in terms of 'paths not taken' in the research, some other instances stand out. The period 2007-2011 in Scotland is of particular interest. The new SNP minority government's approach to centre-local relations, particularly as it relates to the Concordat, was undoubtedly 'historic'. The Scottish Government's reliance on local government to deliver manifesto commitments (McGarvey, 2012, p.167) and willingness to sacrifice financial control to do so, would benefit from closer analysis. Whilst interviewees were asked about this period, they were not selected specifically for this knowledge. Similarly, whilst secondary sources were consulted on this agreement, archival primary material (apart from the agreement itself) was not consulted. This period appears to challenge some of the findings and themes of this research, particularly as they relate to centralism and the value in a positive centre-local relationship in terms of reform. Although this does appear transactional and was never legally codified, the instrumental 'leasing' of power and freedom could provide insights into the trade-offs faced by political actors.

Other notable periods not covered by this research include devolution and those first years of the 'new' institution, given that decentralisation was on the agenda; the period before 1974, particularly the efficiency of the Wheatley Commission in producing (structural) reform[56]; and of course, recent developments since the research began. Whilst this research engages with the Verity House Agreement and its rocky start, most primary data collection occurred before the agreement came into effect. Whilst it may be too early to say how this

[56] Although this thinking does risks problem of infinite regress, particularly when thinking in terms of path dependence

agreement will fair in the long term, it is moderately ambitious and could prove important particularly if legislated on.

Whilst this research has attempted to design for this imbalance, it is true that the lack of interview data in Case Study 1 and the lack of archival data for Case Study 3 represent a material deficit. Whilst the lack of interview access for Case Study 1 cannot be addressed directly, it is perhaps true that it would be possible to uncover firsthand accounts of the process in memoirs or through re-analysing tangential primary data involving members. If these avenues exist, they were not readily available to the researcher within the parameters of this research. Relatedly, access to the CLTR documents when they have been released from archival quarantine, or indeed recovery of those ‘lost’ COSLA documents, would provide invaluable insights.

For future research, Rawat and Morris (2016) note that agenda-setting research typically takes place at the national level with much less attention paid to the local level. Investigating the agenda setting processes at the local level could shed light on how local authorities, or rather COSLA, pick their political strategies in the centre-local relationship. Whilst this research has shown the local to be of less importance in the design of fiscal policy, it has had some effect in framing and pushing for reform. A deeper understanding of this would no doubt help advocates of reform, and indeed the missing COSLA documents mentioned in Section 4.5.2. Finally, given that local tax reform *has* been successfully reformed elsewhere, a cross-country comparison of this evolution would be insightful. Such a project would be both time and resource intensive but produce more than worthwhile results.

Finally, there are clearly countervailing forces not considered in this research which challenge the centralist argument whether this be in regard to community empowerment legislation or the development of mayoralties and combined authorities in England. As such, future research may look to explore these developments in greater depth as Lowndes sought to do in 2005. Comparing these developments across the UK more explicitly than has been done here would also be fruitful, as would a broader international comparison. These projects would be time and resource intensive but would be more than worth the investment.

11.4 Final Remarks

The nature of the power dynamic is such that any attempt to address the centralist tendency must come from the centre itself. Whilst this would require significant sacrifice at the centre, it may also involve sacrifice and trade-offs from local government as well. This might mean relinquishing some traditional functions, reimaging existing structures, and/or resisting financial overreach. Whilst it was found to have little bearing on the outcome of reform across the three case studies, this would require significant levels of trust. Whilst recent attempts to reset the relationship between the centre and the local have foundered, a serious reforming government would advance legislation to codify their agreement and create an accountability mechanism. Taking this first step is likely to be the hardest, and yet the decision could pay dividends knowing what we do about the potential effects of path dependence. Binding your successors here could be particularly sensible for an outgoing government, as may well be the case in 2025.

Rather than replacing piece by piece, addressing the intractability of local government and its financing may be better served by a root and branch reimagining of local government form, function, and finance *together*. Inevitably, this would also require a radical break with past precedent at the centre. Such a project would need to happen both incrementally *and* in large leaps. Whilst it is possible that we are already on such a trajectory which will only become clear in the fullness of time, the *catalyst* is likely to be a driven visionary. Whoever this person might be would do well to 'think in time' and learn the lessons set out in history.

12 Appendix: Archival Data Considered

Below is a table of all material considered during the archival research phase. This includes record numbers and associated archival titles, although each of these documents contained many different individuals' folders and files, some spanning years and thousands of pages. Material with a grey fill was retrieved from the National Records of Scotland in Edinburgh, material without a fill was retrieved from the National Archives in London.

Table 17 List of Primary Data Retrieved

Reference Number	Title
AT106-104	The History of Local Government Finance and Policy 1979-1991
AT106-230	Layfield Report - Scottish Office Oral Evidence
AT106-56	Community Charge 1991/1992: Aggregate External Finance (AEF) settlement; transitional...
AT106-75	Proposed new local tax: development of policy; initial papers to ministers (PART 2)
AT106-76	Community Charge: development of policy; modifications to the Community Charge
AT106-77	Community Charge: development of policy; arguments for central government control or influence over local authority revenue expenditure
AT106-80	Finance Consultation - New Local Tax
AT106-81	Proposed New Local Tax - Consultation
AT106-82	Draft Council Tax Consultation Papers
AT106-83	Proposed new local tax: consultation (PART 4)
AT106-84	Proposed new local tax: consultation (PART 5)
AT106-85	Finance Consultation - New Local Tax

AT106-85	Proposed new local tax: consultation with local government
AT106-91	Proposed new local tax: responses to the consultation paper 'A New Tax for Local Government (PART 9)
AT106-92	Proposed new local tax: responses to the consultation paper 'A New Tax for Local Government' (PART 10)
AT106-93	Proposed new local tax: responses to the consultation paper 'A New Tax for Local Government (PART 11)
AT106-97	Proposed new local tax: effect on various types of households
AT106-98	Finance Consultation - Exemplifications
AT106-98	Proposed new local tax: effect on various types of households (PART 2)
AT106-99	Briefing on LGF Consultation Paper
AT106-99	Proposed new local tax: effect on various types of households (PART 1)
CAB130-1434	Ministerial Steering Group on the Community Charge: meetings 1-9, papers 1-21
CAB130-855	GEN7(76) Ministerial Steering Group Meeting Minutes
CAB130-934	GEN7(77) Ministerial Steering Group Meeting Minutes
CAB198-208	Devolution Bill - Scottish Office Functions
CAB198-317	Devolution Bill - Financial Instructions
CAB198-379	Scotland and Wales Bill (Proposed Relationship Between Institutions)
CAB198-488	Scotland and Wales Bill Local Government Finance
CAB198-496	Scotland and Wales Bill (other than finance)
COS1/1	Minutes of inaugural meeting (8 April 1975)

COS1/2	Convention (26 June 1975) Committees (29 May-17 June 1975)
COS1/3	Convention (31 October 1975) Committees (26 June-17 October 1975)
COS1/4	Convention (20 February 1976) Committees (22 October 1975-3 February 1976)
COS1/5	Convention (2 July 1976) Committees (6 February-18 June 1976)
COS1/6	Convention (22 October 1976) Committees (30 June-8 October 1976)
COS1/7	Convention (25 February 1977) Committees (5 November 1976-11 February 1977)
COS1/8	Convention (1 July 1977) Committees (18 February-17 June 1977)
COS1/9	Convention (21 October 1977) Committees (24 June-7 October 1977)
COS1/10	Convention (24 February 1978) Committees (14 October 1977-10 February 1978)
COS1/48	Convention (11 November 1988) Committees (10 November-23 November 1988
COS1/49	Convention (20 January 1989) Committees (19 January-24 February 1989)
COS1/50	Convention (15 March 1989) Committees (2 March-16 June 1989)

COS1/51	Convention (30 June 1989) Committees (23 June-29 September 1989)
COS1/52	Convention (13 October 1989) Committees (5 October-1 December 1989)
COS1/53	Convention (15 December 1989) Committees (7 December 1989-8 March 1990)
COS1/54	Convention (28 March 1990) Committees (6 April-6 June 1990)
COS1/55	Convention (29 June 1990) Committees (8 June-27 September 1990)
COS1/56	Convention (12 October 1990) Committees (18 October-30 November 1990)
COS1/57	Convention (14 December 1990) Committees (23 November 1990-1 March 1991
COS1/58	Convention (20 March 1991) Committees (7 March-7 June 1991
COS1/59	Convention (28 June 1991) Committees (13 June-11 October 1991)
COS1/60	Convention (1 November 1991) Committees (15 October-28 November 1991)
PREM19-4207-1	Devolution the Question of the Government of Scotland (1979-1992) (Part A)
PREM19-4207-1	Devolution the Question of the Government of Scotland (1979-1992) (Part B)
PREM19-4208	Devolution the Question of the Government of Scotland (1979-1992) (Part C)

S0E6-1-883	Reform of Local Government Finance Working Party (Scotland) (Valuation and Rating Matters for Reorganisation) (1975)
SOE6-1-1036	Layfield Working Group on Finance of Local Government (Minutes of Meetings) (1976-1977)
SOE6-1-1037	Working Group on Financing of Local Government (Working Party Papers) (1976-1977)
SOE6-1-1047	Reform of Local Government Finance (Layfield Report) (Steering Committee) (1977)
SOE6-1-1181	Acts and Bills Local Government Finance Bill (1991)
SOE6-1-1204	Council Tax Consultations (Comments from Organisations) (1991)
SOE6-1-1256	Reform of Local Government Finance (Layfield Report) (Ministerial Committee) (1977-1978)
SOE6-1-1281	Council Tax Policy Code of Practise
SOE6-1-1345	Reform of Local Government Finance (Rating and Valuation Committee Minutes) (1989-1991)
SOE6-1-1467	Council Tax Policy (Banding and Valuation)
SOE6-1-1554	Council Tax Consultations (1991)
SOE6-1-1643	Council Tax Legislation (Finance and Valuation Bill)
SOE6-1-1692	Working Party on LGF in Scotland
SOE6-1-1827	RSG Consultations (COSLA Meetings with SoS) (Briefing Material)
SOE6-1-528-1	Rate Support Grant Layfield Committee (Gen 7)
SOE6-1-730	Local Government Finance (Green Paper for Scotland)
SOE6-1-734	Local Government Finance Green Paper for Scotland (Representations COSLA) (1977)

SOE6-1-740	Local Government Finance Layfield Joint Working Party On Audit (Meeting Minutes) (1976)
SOE6-1-741	Local Government Finance Layfield Joint Working Party on Audit Working Party Papers (1976-1977)
SOE6-1-888	Reform of Local Government Finance (Layfield Report) (Working Group on Financing of Local Authorities) (1976-1977)
SOE6-1-889	Reform of Local Government Finance (Interdepartmental Working Group on LA Finance) (Consideration of Layfield Report) (1977)
SOE6-1-960	Working Party on Local Government Finance (Meeting Minutes)
T328-1269	Committee of Inquiry into Local Government Finance
T341-708	Consideration of the System of Local Government Finance (Layfield) (Part 2)
T341-712	Consideration of the System of Local Government Finance (Layfield) (Part 3)
T371-520	Consideration of the System of Local Government (Layfield)
T380- 131	Further Consideration of LGF Subsequent to the Report by the Layfield Committee of Inquiry
T380-130	Further Consideration of LGF Subsequent to the Report by the Layfield Committee of Inquiry
T380-132	Further Consideration of LGF Subsequent to the Report by the Layfield Committee of Inquiry
T380-137	Further Consideration of LGF Subsequent to the Report by the Layfield Committee of Inquiry
T380-487	Further Consideration of LGF Subsequent to the Report by the Layfield Committee of Inquiry

T380-488	Further Consideration of LGF Subsequent to the Report by the Layfield Committee of Inquiry
T380-90	Democracy and Devolution Proposals for Scotland and Wales - WG on Finance
T484-354	Scottish Devolution
T599-105	1991 Post Mortem
T599-165	Review of Local Government Structural Reform
T599-173	Council Tax Distribution Effects (Part A)
T599-184	Working Party on Local Government Finance Scotland
T599-50	Departmental Reports 1992 (Part B)
T599-51	Review of Local Government 1991 - Overall Reform Measures from 1992 Onwards (Part B)
T599-52	Review of Local Government 1991 - Overall Reform Measures from 1992 Onwards (Part C)
T599-53	Review of Local Government 1991 - Overall Reform Measures from 1992 Onwards (Part D)
T599-54	Review of Local Government 1991 - Overall Reform Measures from 1992 Onwards (Part E)
T599-56	Review of Local Government Reform Measures from 1992 Onwards
T599-59	Review of Local Government 1991 - Property Based Tax (Part A)
T599-60	Review of Local Government 1991 - Property Based Tax (Part B)
T599-61	Review of Local Government 1991 - Property Based Tax (Part C and D)
T599-63	Review of Local Government 1991 - Other Local Taxes

T599-64	Review of Local Government Budget Measures 1991
T599-68	Council Tax and Overall Policy (Part A)
T599-69	Council Tax and Overall Policy (Part B)
T599-82	Council Tax Technical Subgroup (Part A)
T599-87	Visits to and from Treasury by Local Authority Officials - Seminars and SOLACE Treasury Exchange
T599-97	Local Government Finance Scotland LGFS
T668-1242	Budget 1992
T668-361	LGF: Professor Jackson's Reform Paper
T668-482-1	Local Government Finance (Norman Lamont: Private Office Papers)
T668-482-2	Local Government Finance (Norman Lamont: Private Office Papers)
T668-592-1	Local Government Finance (Norman Lamont: Private Office Papers)
T668-592-2	Local Government Finance (Norman Lamont: Private Office Papers)
T668-597-1	Local Government Finance (Norman Lamont: Private Office Papers)
T668-611-1	Local Government Finance (Norman Lamont: Private Office Papers)
T668-611-2	Local Government Finance (Norman Lamont: Private Office Papers)
T668-612	Local Government Finance (Norman Lamont: Private Office Papers)
T669-624	Local Government Finance (Norman Lamont: Private Office Papers)

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