Wider, Deeper, Further, Faster

Devolution within Scotland

Professor Jim Gallagher
September 2026

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About the author

Professor Jim Gallagher is chair of Our Scottish Future. He has had a long and distinguished career as one of the country's leading authorities on devolution. He has been head of the Scottish Justice Department, private secretary to two Secretaries of State for Scotland and twice a member of the No 10 Policy Unit. In 2007, he was the UK Government's most senior official advising on devolution and the constitution, and Secretary of the Calman Commission on Scottish Devolution. He is an honorary Professor at the University of Glasgow and the University of St Andrews, and a former Fellow of Nuffield College, Oxford. He has held a large number of directorships in the business world and third sector, and is also a Fellow and Treasurer of the Royal Society of Edinburgh.

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Solving Scotland's Devolution Paradox

Prime Minister Andy Burnham has a big idea: devolution. Building on his experience in Manchester, he focuses primarily on England's cities and city regions. Very significant devolution indeed has been announced in the short weeks since his government was created. He's keen to see similar developments in Scotland but cannot make them happen on his own. How should government in Scotland react? The answer is clear. Since the regional councils were abolished 30 years ago, we've had a region-shaped hole in how Scotland is governed. John Swinney's government should work further and faster with Burnham's government to fill it.

This paper explains why and sets out how. It draws on earlier work by Our Scottish Future, and also some of the ideas in the Labour Party's Commission on the Future of the UK, with which Our Scottish Future assisted. It has also been very helpfully informed by information gathering and detailed conversations involving a range of senior people with leadership roles in economic development, local government and public service delivery. There was a very significant degree of consensus among them that moves in the direction advocated here were both essential and inevitable, and quotes from them are scattered in this paper.

The arguments for stronger regional government are both economic and political. The Scottish economy, like the UK economy, has flatlined for more than a decade. Something must be done about it, and soon. All the evidence internationally suggests that the most effective government interventions to promote economic growth are undertaken at the regional and more particularly city regional level. That has already started in British cities today.

Another critical problem for Scotland and the rest of the country is low and declining trust in politics. The long standstill in economic growth is breaking the implicit contract between government and the governed which has sustained over the previous 50 years: steady growth, so that parents can no longer look forward to their children being better off than them. There is more to the loss of trust than that, including the behaviour of politicians themselves, and how politics is portrayed, especially in social media. Nonetheless it is striking that voters have less trust in government they think is distant from them – they do not think it looks after their interest, the interest of their region, or of their local communities. Bringing government closer to people is part of the solution. Stronger, more visible and more accountable regional institutions are part of the answer to this problem.

The city regional approach is likely to be the most effective for promoting economic development. Innovation and increased productivity are key, and the paper sets out how best to promote them in the circumstances of Scotland today. It means building upon the work done by the various City Deals, started more than a decade ago and sustained by governments since. These have had some success, but must go further and faster, if they are to have the necessary impact. That means bringing together in city regions and regions wider and deeper powers to support economic growth.

This inevitably opens up the question of how they should be governed, as it has in England. That can and should vary from place to place: a centrally imposed uniform solution will not do. But for the larger city regions, which are likely to be the main engines of economic growth, directly elected political figures – call them Provosts or Mayors - can provide the necessary governance and the accountability needed for the ambitious task ahead. Elected leaders will also have an important representational role for their place, as we have seen in England, helping the public reconnect with how they are governed. Regions in Scotland should be allowed to choose to have such a figure if they want.

It is encouraging that John Swinney's latest Programme for Government, delivered in September 2026, talks of rewiring the state and building a regional level of government from the existing City Deal partnerships. Our Scottish Future welcomes this. If delivered, it has real potential to improve the economy and public services. The growing consensus for these ideas from both the UK and Scottish governments is encouraging; the recommendations in this report would take these ideas further and faster.

Action as well as words is needed, and action must involve both of Scotland's governments. They have already worked together to create City Deals across Scotland. A good start. Devolution is now the top priority for the government of Britain. The Scottish Government has now made a commitment to developing the City Deals further. The door of cooperation is wide open. Governments must lay aside any political differences to take Scotland through it. Devolution to Scotland has been the project of the last 30 years or more. Now must be the time of devolution within Scotland. It must now become wider and deeper, and move further and faster.

Image: Scottish Government Flickr

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20 Years of Economic Stagnation

The performance of both the UK and Scotland has been weak for over 20 years now. Over that period the Scottish economy grew 19% in real terms, under performing the rest of the UK in terms of overall growth (19% versus 27%). Most of this difference is down to greater population growth in England, so Scotland's per capita growth figures look rather stronger. But in the last 10 years since the Scottish Parliament gained substantial tax powers, Scotland has fallen behind. Figure 1 shows overall economic growth in Scotland and the UK over the last 20 years.

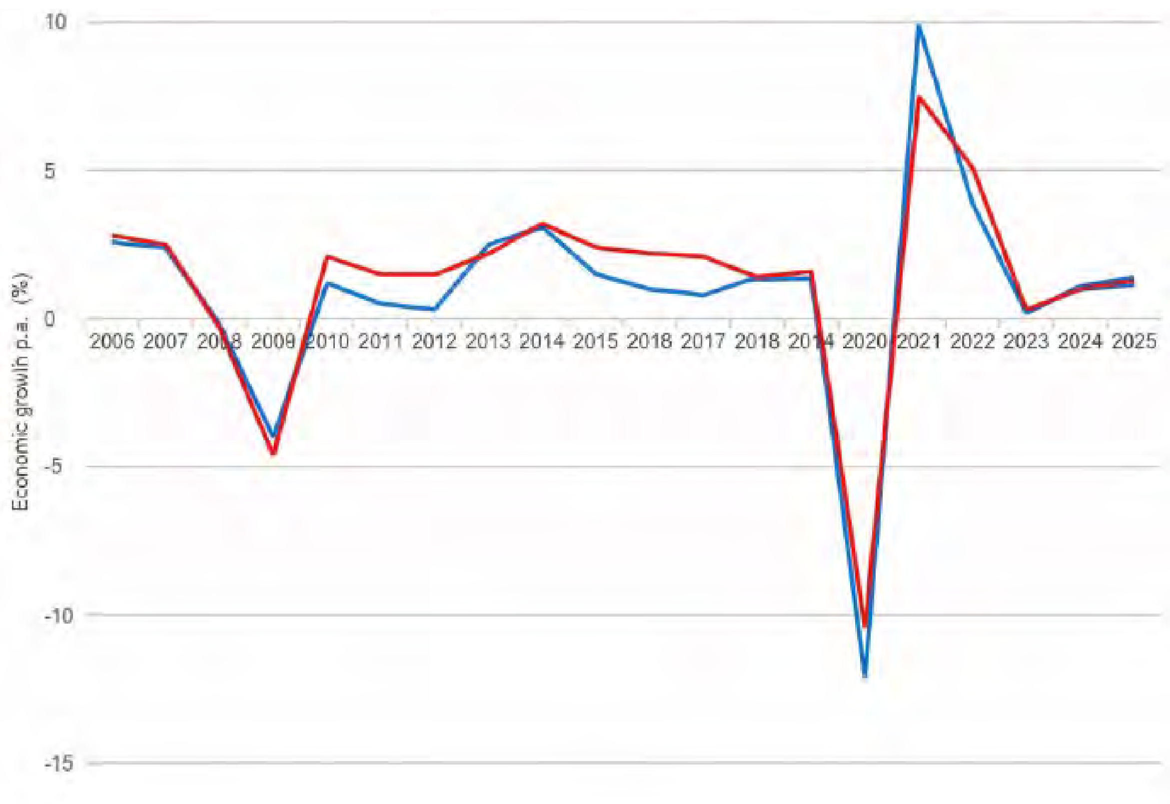


Figure 1 - Economic Growth in Scotland and the UK 2006-2025

Real terms (inflation-adjusted) annual GDP changes reported by the Office for National Statistics and the Scottish Government.

The issue here is not, however, the relative performance of the Scottish and UK economies, but the fact that growth overall for them has been sluggish for two decades. Average year-on-year growth in the economy of around 1% at best has translated into incomes growing by just 0.5% (£140) a year since 2010 across Britain[1].This is a very significant reduction from the previous typical rates of growth of 2.5% a year. People notice.

1 https://www.resolutionfoundation.org/press-releases/britains-great-living-standards-slowdown-has-left-typical-family-incomes-growing-by-just-140-a-year-since-2010/

Low growth is at the root of many of our problems, including cost-of-living, pressure on public services, and public dissatisfaction. Its consequences are seen in the amount of money in people's pockets, and the ability to pay for public services from taxation. This drives public dissatisfaction. Our Scottish Future research, done for the *Commission on the UK's Future*, showed that the three top priorities were the same for people in England, Scotland and Wales: better NHS performance, lower levels of poverty and homelessness, and higher wages. Yet persistently low growth stagnates income, increases very visible poverty, and squeezes the resources available for public services. Not only does this lead to disillusionment, but it increases support for the pernicious simplistic solutions to these problems proposed by populist politicians.

A Geographically Unequal Economy

Dissatisfaction and disillusion are also driven by inequity. The UK is the most geographically unequal large country in the OECD. The differences are stark. Figure 2 shows the considerable differences in GDP across UK regions from £69,000 per head for London to £28,000 per head for the North East of England.

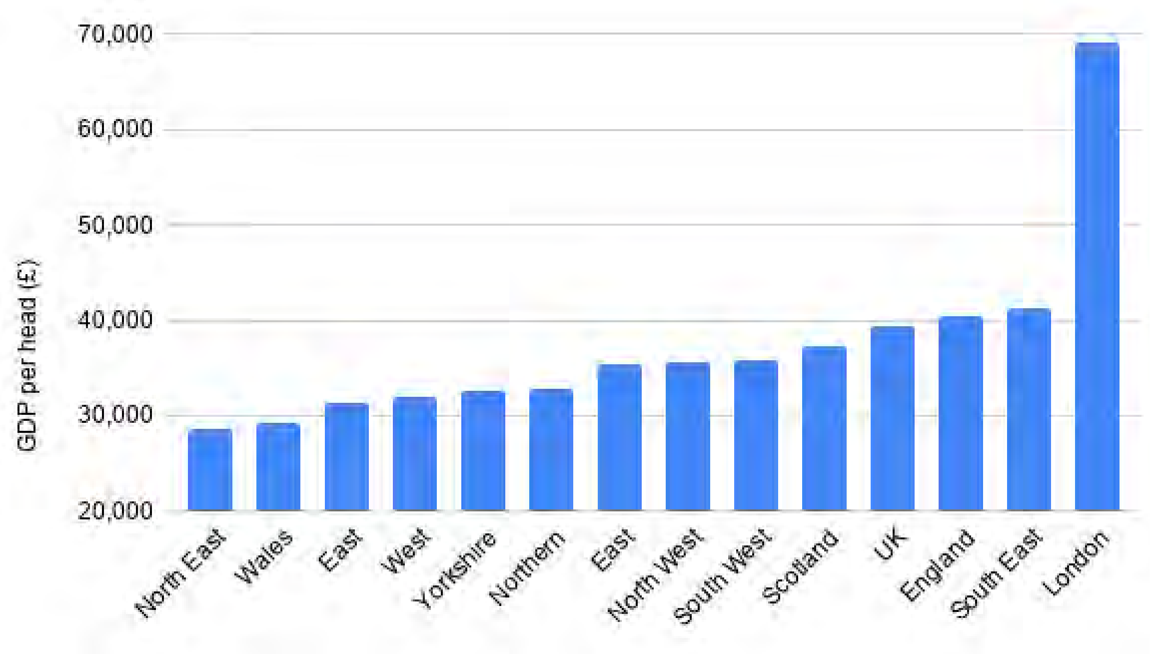


Figure 2 - GDP per Head at Current Market Rates (2025)

Source: Office for National Statistics (ONS) Regional Economic Activity Bulletin[2]

2 https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/regionaleconomicactivitybygrossdomesticproductuk/1998to2023

(On these numbers, Scotland comes out as the third richest region of the UK, in terms of GDP, even excluding the value of offshore North Sea economic activity. But this is supported by substantial fiscal transfers from the rest of the UK under the Barnett formula, which supports much higher public spending. The public sector comprises 54% of Scottish GDP, as against the UK average of 45%. Were it not for this, Scottish GDP would be something around 5% smaller, in the middle of the regional distribution.)

"Regional authorities are best able to drive growth when they are based on econimic areas".

- Local Government Strategy Director

But Scotland also shows the same internal patterns of inequality as England. Former industrial regions and rural areas have markedly less economic activity and wealth than those which concentrate on high value services, such as financial services, whether that be in London or in Edinburgh. Edinburgh's GDP per head is roughly £70,000, while Inverclyde and Renfrewshire sit at around £21,000. Rural areas like the Scottish Borders are only marginally higher at £27,000[3]. The parallel with UK disparities is obvious.

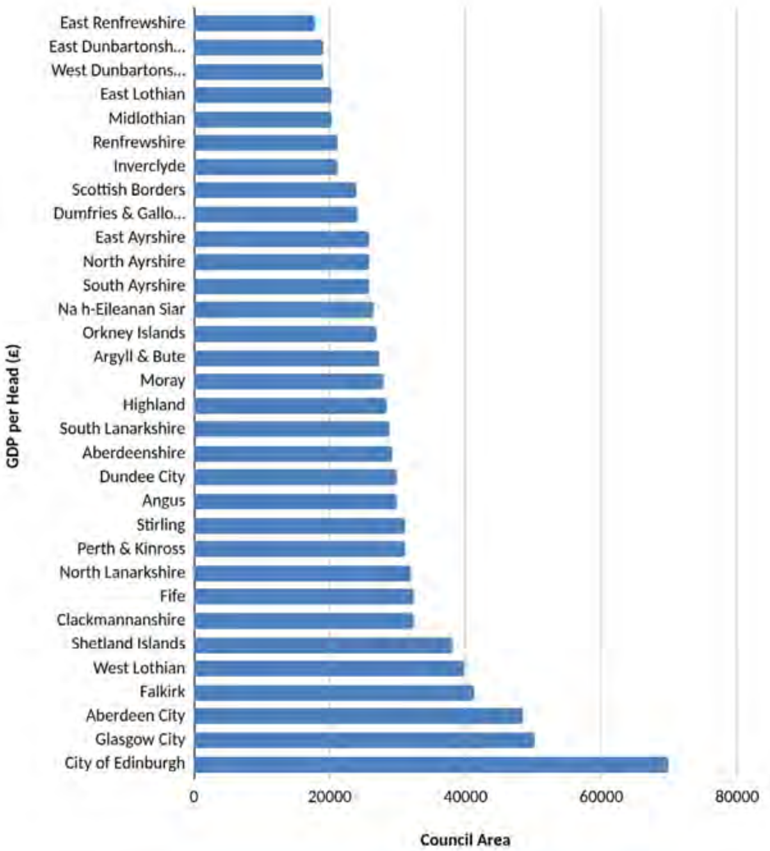


Figure 3 - Scottish Council Areas Estimated GDP per Head (£)

3 https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/regionalgrossdomesticproductallnutslevelregions - Table 7

These are not just economic questions, affecting incomes or economic opportunities. At the UK level, the gap in life expectancy between rich and poor regions is nearly three years, with gaps of over a decade between the richest and poorest local authorities[4]. In Scotland, where average life expectancy is already the lowest in the UK, there is more than a six-year difference between former industrial areas in the West compared to Edinburgh in the East[5]. People in poorer areas can also expect to spend seven more of those years in poor health[6].

Neither Scotland nor the UK as a whole can succeed economically without using the potential of each part of the country as fully as possible. If the economies of, for example, former industrial regions are not developed further and faster, Scotland's economy will remain a low growth one, with all the economic and social consequences that follow: stagnating incomes, a prevalence of lower paid jobs, deep and potentially rising regional and internal inequalities, and increasing dissatisfaction in the population. They will conclude that the implicit contract between them and the state is indeed broken, with serious social and political consequences. More effective action to grow Scotland's economy is therefore vital.

The Loss of Trust in Our Politics

Talk of distrust in politics is now a commonplace but should be a cause of very real concern. Trust in governments in the UK is low and falling. It is much lower than many other countries – 80% trust central government in Switzerland, compared with 34% in the UK (figure 4). There is less trust of the government in the UK than there is in the likes of Costa Rica, Ireland, Italy and Estonia.

In the UK, trust in government has been falling faster than elsewhere. For example, in 2006, trust in government in the UK was at 42%, higher than in France and Germany, but it is now lower than both, and today is ten percentage points lower than the average of developed countries. As figure 5 shows, the UK is firmly at the bottom of the league for low and falling trust.

4 https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/lifeexpectancyforlocalareasoftheuk/between2001to2003and2020to2022
5 https://www.nrscotland.gov.uk/publications/life-expectancy-in-scotland-2022-2024/
6 https://www.nrscotland.gov.uk/publications/healthy-life-expectancy-2022-2024/

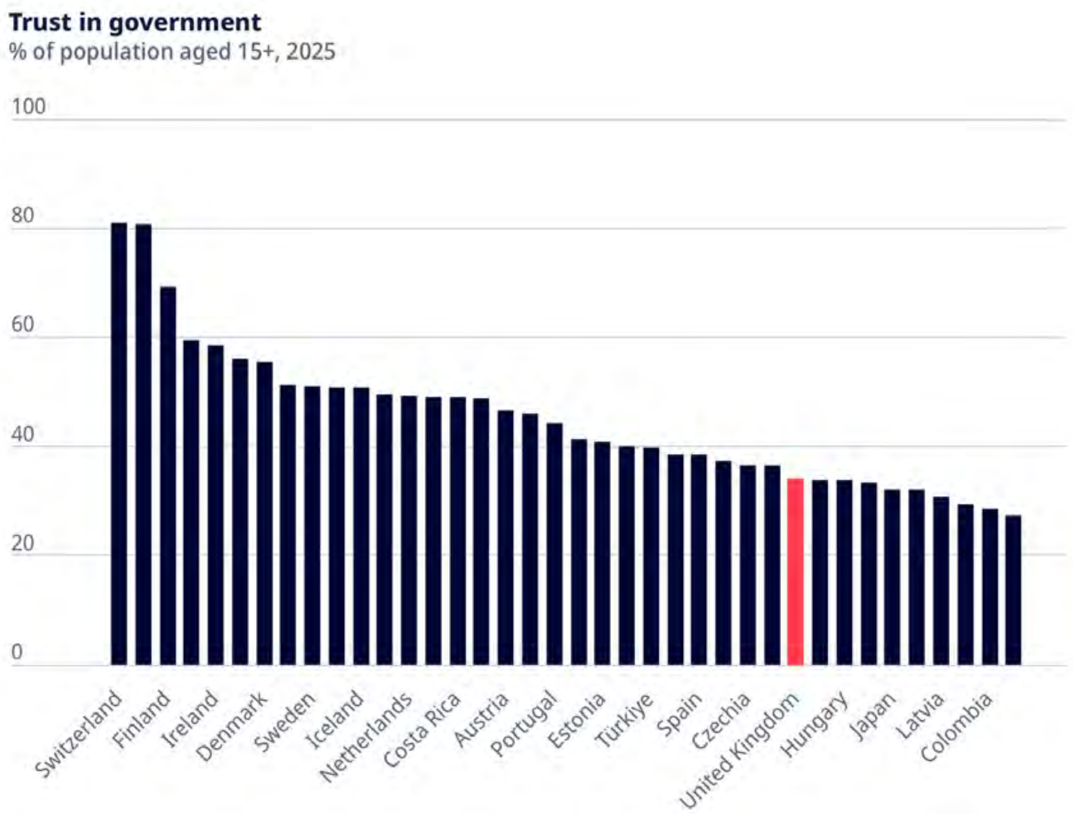


Figure 4 - Trust in Governments of OECD Countries

Source: https://www.oecd.org/en/data/indicators/trust-in-government.html

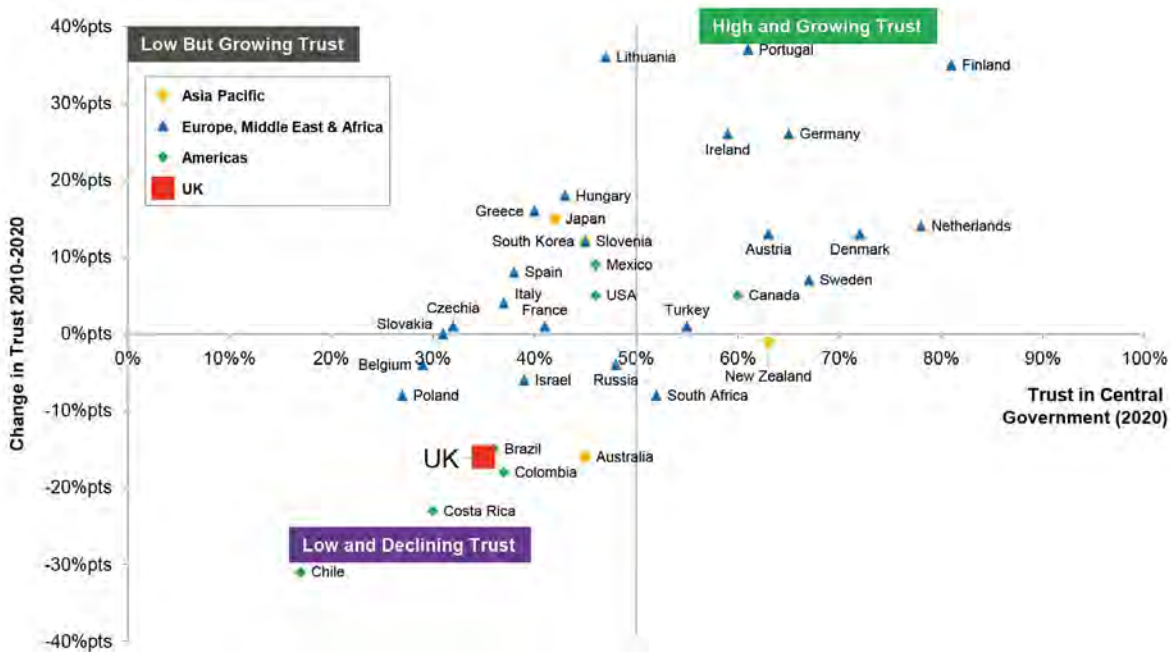


Figure 5 - The UK's Trust Problem (OECD Trust in Government Benchmarks, 2010-20)

Source: https://labour.org.uk/wp-content/uploads/2022/12/Commission-on-the-UKs-Future.pdf

Similar trends are seen across the developed world. Distrust has been growing, though it has stabilised somewhat in recent years. Research attributes this trend to citizens feeling powerless to affect the actions of distant governments; to scepticism about whether those governments can actually address the major problems which the country faces; and to concerns about the integrity of the political system[7]. All of these issues are seen in Scotland today.

In both Scotland and Britain, deep concerns are expressed about the connection between politicians and the public they serve. Research for *Our Scottish Future* showed that around two thirds of people think that they are invisible to politicians[8]. People are more likely to trust non-political institutions like the Civil Service, than to trust politicians or political parties.

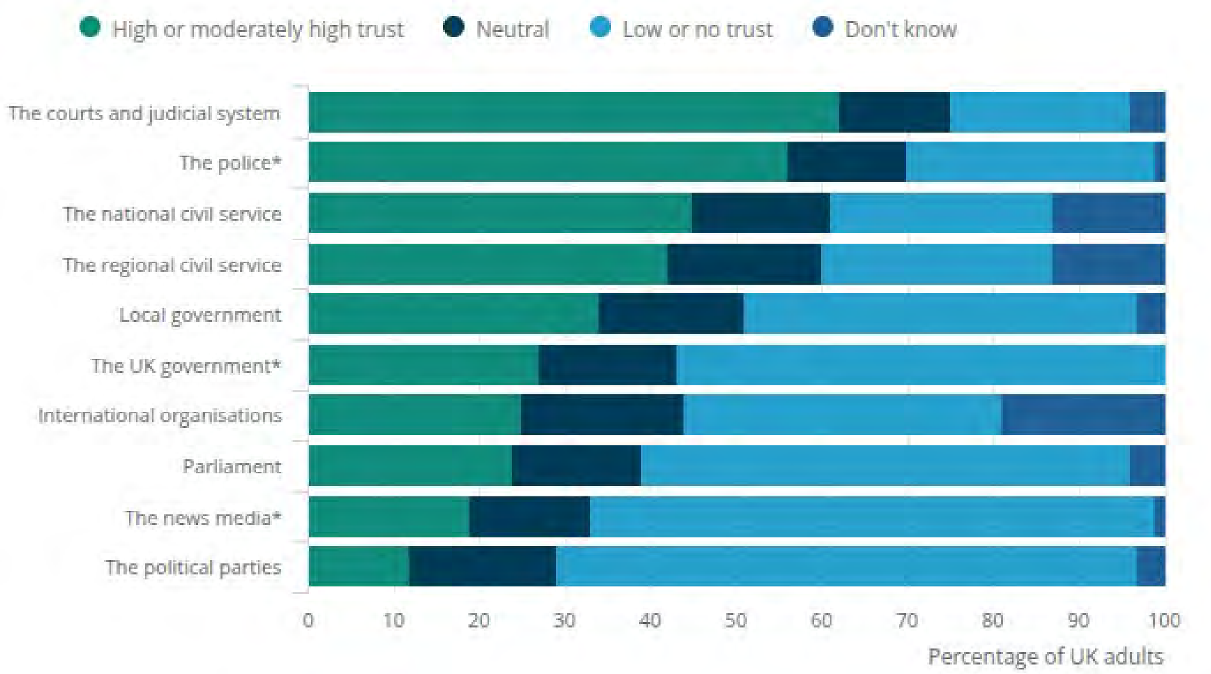


Figure 6 - Level of Trust in Public Institutions (2023)

Source: https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/trustingovernmentuk/2023.

In Scotland, trust in the Scottish Government to look after Scottish voters' interests has long been higher than in the UK Government. Hardly surprising, as the UK Government has to look after the interests of people across the whole of the UK, as well as in Scotland. But trust in the Scottish Government has been falling markedly in recent years - from over 60% in 2014, to about 45% now[9][10]. It is also now very polarised: 73% of those who voted SNP say they trust the Scottish Government. They are the main contributors to the 45% of the population as a whole who say that they do[11].

7 https://www.ippr.org/articles/trust-issues
8 https://ourscottishfuture.org/the-future-of-the-uk-a-game-changer-for-scottish-politics/
9 https://scotland.shinyapps.io/sg-scottish-household-survey-data-explorer/
10 https://www.gov.scot/publications/scottish-social-attitudes-survey-2025-core-module/pages/5/
11 https://www.gov.scot/publications/scottish-social-attitudes-survey-2025-core-module/pages/5/

Declining trust has multiple causes. Stagnating real incomes and very low growth over a prolonged period are likely the most significant. Since the end of the Second World War, the implicit bargain between the state and the population has been that steady growth over a long period of time will deliver steady improvements in living standards; parents could look forward to their children being more prosperous than them. This has been true until recent decades. Throughout the last 20 years, since the financial crisis, governments have held out the hope that their policies will bring back the accustomed growth. But they have not delivered.

Trust is lower in parts of the country which feel ignored or left behind. At a UK level trust in government is highest in London and the Southeast, while in England it is lowest in the former industrial Northeast. Data on trust in specific regions of Scotland is not available, but there is distinct lack of trust in the Scottish Government in remote rural areas[12].

Standards of behaviour in political life also matter. Worldwide, we see increasing concerns about the integrity of politicians and the political system. It is however particularly disturbing that in Britain that two thirds of voters believe that politicians are only in it for themselves, and only 4% for the country's interest. This is a marked decline from historical levels, and a record low[13]. After the parliamentary expenses scandal, 48% of the population thought politicians self-interested, but after multiple scandals, e.g. over PPE procurement during COVID, the perception has increased much further. Scotland is anything but immune from bad behaviour in the political sphere; we have had police investigations of ministers and those closely connected to them, and even the imprisonment of the chief executive of the governing party.

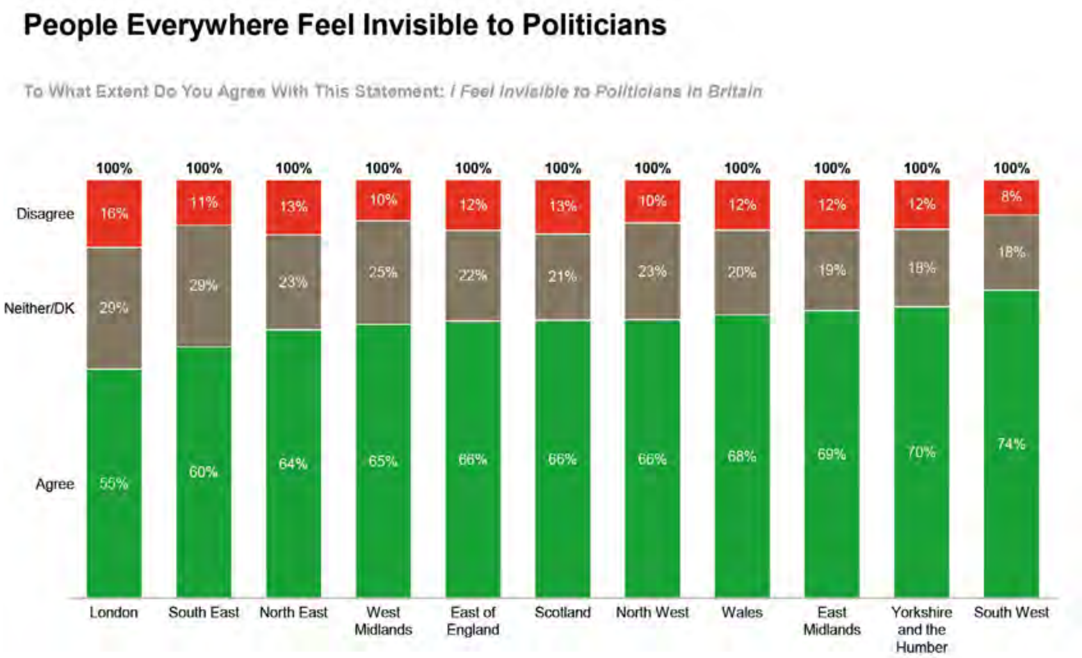


Figure 7 - Perception of Public Visibility to Politicians

Source: https://labour.org.uk/wp-content/uploads/2022/12/Commission-on-the-UKs-Future.pdf

12 https:/www.gov.scot/publications/scottish-household-survey-2023-trust-public-institutions/pages/2/
13 https://yougov.com/en-gb/articles/52925-do-britons-think-politicians-are-out-for-themselves

Distrust is however also fuelled by the perception that politicians are distant from, and not focused on the interests of, the people who vote for them. All across the country people feel that they are invisible to politicians, in Scotland as much as in the rest of the UK (figure 7).

It is striking however that generally speaking the closer politicians are to where people live, the more they are likely to be trusted. In England for example, local councils are more trusted than central government[14][15]. In Scotland, the data on levels of trust in local politics is contradictory. The Scottish Household Survey reports that local government is trusted by over half of people, and seven points more than the Scottish Government[16], though data from the Scottish Social Attitudes Survey[17] paints a picture of declining trust in local councils to make fair decisions.

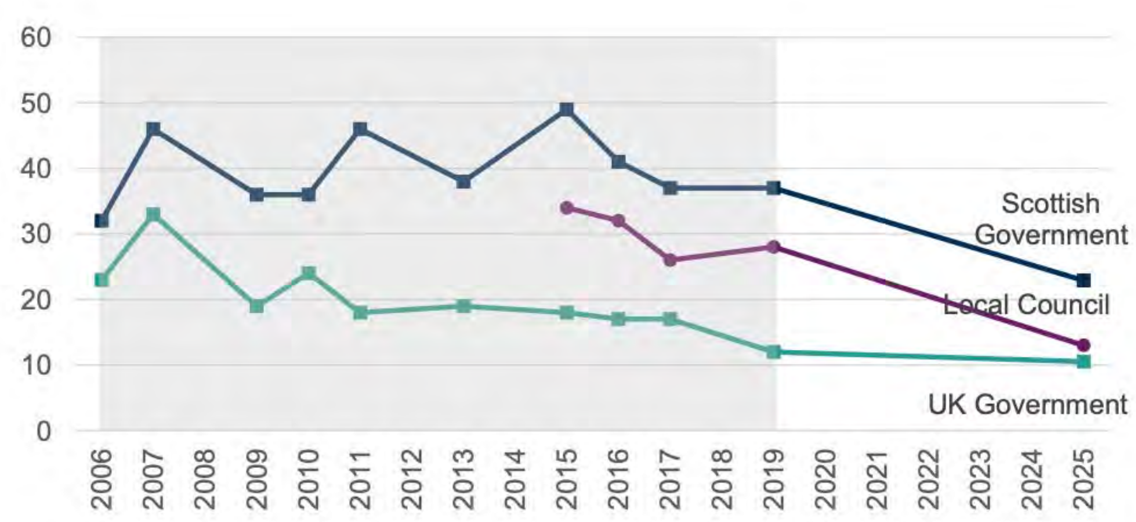


Figure 8 - Trust in the Scottish Government, Local Council, and UK Government to make 'fair decisions' over time

Source: Scottish Government

14 https://lgiu.org/only-25-of-voters-trust-the-government-to-act-in-the-best-interests-of-local-people-finds-new-lgiu-poll/
15 https://www.lgcplus.com/politics/governance-and-structure/exclusive-polling-finds-local-government-more-trusted-than-national-16-10-2023/
16 https://scotland.shinyapps.io/sg-scottish-household-survey-data-explorer/
17 https://www.gov.scot/publications/scottish-social-attitudes-survey-2025-core-module/pages/5/

Getting to the Root of the Problem

These two issues are obviously closely connected. At a UK level, we have both a political system and an economy which is overcentralised, and over dependent on London and the Southeast. Not only is political power centralised there, but so is economic growth. This correlation is not an accident, and people see that. Regions outside London feel both ignored by government and left behind economically. They are not wrong to do so. The hyper-centralised British state does not recognise the importance of either regional distinctiveness or regional autonomy. One-size-fits-all solutions, devised in London, are applied throughout the country.

This is why new Prime Minister Andy Burnham has a top priority of devolution and decentralisation in England. This is to be welcomed. First of all, it is the best hope for reviving economic growth. But it also offers hope of reconnecting voters and citizens to the institutions of government. From a Scottish perspective, it has the additional advantage of changing the centralised nature of the UK state, almost certainly irreversibly. The centre of UK government will have to transform itself into an institution which recognises devolution not as an oddity for the Celtic fringe, but as the default arrangement for the entire population of the country. When devolution becomes the norm, in forms which are appropriate to the history, circumstances, and aspirations of different places, Whitehall and Westminster will change radically. They will become more accustomed to the realities of decentralised power, which they have struggled to cope with since the creation of the Scottish Parliament in 1999. Of all the changes which the Burnham government might make, this is likely to be the most profound.

It is however very striking that despite devolution to Edinburgh, Scotland faces many of the same problems. There is very marked geographical variation, and not just in measures of GDP. In poorer areas people live shorter, less healthy lives. Life expectancy is 10 years shorter in the most deprived places than in the richest; healthy life expectancy is 20 years shorter[18]. Educational attainment is similarly unequally spread: 40% of those in Edinburgh hold a university degree, compared with 16% in West Dunbartonshire[19]. A similar story can be told of unemployment which is 7% in Dundee, but only 2% in Edinburgh[20]. It is astonishing to record that of the 10 areas with the highest worklessness in the UK, five are in Scotland.

At the same time, we have an increasingly centralised administration in Edinburgh, which takes decisions that were once properly decentralised to the local level, and micro-manages every public body. The effects can be seen in inadequate government action, and failure to implement endless glossy strategy documents (see Our Scottish Future's paper *Fixing Broken Government* for a closer look). The consequences are clear in disappointing outcomes for key public services. The parallel with an overcentralised UK is irresistible. Something has to change in Scotland too.

18 https://www.nrscotland.gov.uk/publications/life-expectancy-in-scotland-2022-2024/
19 www.scotlandscensus.gov.uk/census-results/at-a-glance/education/
20 CF. https://www.nomisweb.co.uk/reports/lmp/lad/1778385241/report.aspx?town=dundee#tabempunemp with https://www.nomisweb.co.uk/reports/lmp/lad/1778385236/report.aspx?town=edinburgh#tabempunemp

The first and most urgent priority is to increase the rate of growth across the economy. Government has a critical role in this. It must provide a stable macro-economic framework, predictability in key variables such as inflation and interest rates. Both UK and Scottish governments must also have sustainable public finances in the immediate period and for the long-term. This is a challenge for both. In Scotland the unsustainable state of the Scottish Government's finances resulting from their spending decisions will have to be dealt with in the present parliament.

These responsibilities however might be described as 'hygiene factors'[21]; that is to say things which need to happen but on their own will not be enough to achieve the desired results. One of the lessons of the 1980s and 1990s UK administrations is that, although wealth is generated and growth created in the private sector, it is not enough simply to expect that to happen spontaneously across the whole country. Government is not simply a nightwatchman, adding nothing to the building which it looks after. Indeed, an explicit objective of government should be to rebalance geographical inequalities inside the country. Market forces will not deliver that on their own: quite the opposite. Markets produce inequalities; the government's job is to mitigate their consequences. The evidence supporting the need for positive government action is unequivocal. But what should it be, and why should there be a connection between regional decentralisation and economic growth? This warrants fuller explanation.

21 See Hertzberg, 1959, *The Motivation to Work*

“HOW TO INCREASE PRODUCTIVITY IN PRACTICE? THE ANSWER IS INNOVATION. ANY IMPROVEMENT IN PRODUCTIVITY REQUIRES SOME SORT OF INNOVATION. A DIFFERENT WAY OF WORKING, A CHANGE IN ORGANISATION, PERFORMANCE OR APPROACH. BUT THE MOST IMPORTANT LONG-TERM IMPROVEMENTS IN PRODUCTIVITY DEPEND ON THE INNOVATIONS THAT ARISE FROM HARNESSING THE LATEST SCIENCE AND TECHNOLOGY”

Productivity and Innovation: The Key Drivers of Growth

The answer begins by understanding the main driver of economic growth: productivity improvement. Productivity is how a society transforms its collective resources - labour, capital, technology and natural resources - into things people need and want. The key to long-term growth is to increase productivity. The more the economy grows, the more well-paid jobs are created, and the more incomes rise. When a business produces more outputs from the same inputs, more money is available for wages and salaries, and rewarding investors. More competitive firms will be more resilient in the long-term, and able to invest in further productivity improvements, in a virtuous cycle of development. Looking back over history this becomes very obvious. As the Nobel prize winning economist, Paul Krugman, put it: in the long run productivity is "almost everything".

The excellent work of the Productivity Institute[22], based in Manchester, analyses productivity in the round, and makes practical suggestions for improving it. Their research suggests that if the UK's productivity had not severely flattened after the 2008 financial crisis the average British worker would be earning thousands of pounds more today.

Improving productivity is also essential if we are to afford public services, especially as demand for them increases from an ageing population. More successful companies mean more corporation tax, more income tax from higher wages, larger VAT receipts from increased economic activity. All support public services. So if we are to afford the health services we will need in future, the nation's productivity must keep increasing. Similarly, if Scotland ever had to support the level of public spending it currently enjoys from its own resources, rather than transfers from the rest of the UK, very large increases in productivity would be needed.

Productivity is also important within public services themselves, though it is harder to measure as there are no paid-for outputs to compare with the inputs, and what one public service produces is hard to compare with another. Government statisticians have nevertheless tried. Methods of measurement differ, but productivity in Scottish public services appears to be markedly less than in the rest of the UK. The Scottish devolved budget is something like 25% per head higher than for comparable services in England, but overall results in the big public services such as health or education are at best comparable. According to the Scottish Government[23], Scotland's public services have not improved their productivity over the last two decades.

How to increase productivity in practice? The answer is innovation. Any improvement in productivity requires some sort of innovation. A different way of working, a change in organisation, performance or approach. But the most important long-term improvements in productivity depend on the innovations that arise from harnessing the latest science and technology.

22 https://www.productivity.ac.uk/wp-content/uploads/2024/05/Productivity-Primer-28-May-2024-FINAL.pdf
23 https://www.gov.scot/publications/economic-overview-public-sector-scotland/

History shows this very clearly, from the agricultural improvements which were changing the Scottish economy and society in Adam Smith's day, through the series of Industrial Revolutions over the last two and a half centuries. From water-powered mills, to coal powered steam engines driving the railways and the manufacturing economy in the 19th century, the extraordinary development of the chemical industry, and our increasing reliance on fossil fuels, through the computer revolution, to the latest artificial intelligence, at each stage increasing productivity has been driven by developments and science and technology.

Science-based innovation may not be so important for some parts of the economy, such as personal services businesses. But at the cutting-edge of economic development, the high growth companies which transform productivity are critically dependent on scientific and technical innovation. Today's most obvious example is artificial intelligence, but throughout history, economic development has been based not just on capital and labour but on maximising the use of knowledge. That is what has transformed how people live.

Places: The Key Role of the City Region

Innovation happens in specific places, and often in different fields within each. Since the turn of the 20th century, it has been recognised that cities are the key places for innovation, usually alongside top-notch universities or other research institutes. The excellent work of the Centre for Cities[24] explains how this happens. Economists call the process "agglomeration benefits". Build up a cluster of businesses of broadly the same sort, around the one place. Support them with the right infrastructure – not just physical infrastructure, like transport, communication and housing, but also the supply of highly skilled workers. Then the whole becomes more than the sum of the parts. Businesses feed off one another, specialist talent is attracted, is able to progress from one company to another, and other businesses are drawn in to provide supporting services. The evidence shows that this increases not just economic activity, but incomes in the whole regional economy, not just in the fast-growing sector itself.

These arguments are set out in full in the work of the Centre for Cities, which has been making the case for planning economic development at a city region level for decades. Silicon Valley in California is the classic example of such success. All over Europe and worldwide, countries have found that economic development is best managed regionally, so that each part of the country can specialise in what it does best. The evidence base is very strong, notably in the work of Prof. Philip McCann[25] which shows how creating the right regional structures, covering populations of some millions, and formed across wide travel to work areas, are key to overall economic development.

There is really nothing new here, as a quick look at history shows. Specialisation of different regions and cities, based on particular industries, was a key part of the industrial revolution of the 18th and 19th centuries. Sheffield is famous for steel, Glasgow for shipbuilding and so on. Enterprises clustered around the places where opportunities were first found, and building self-sustaining local economies. The Clyde, because of ease of navigation and proximity to coalfields and iron, built up a shipbuilding industry. Other engineering companies were attracted in or created, using many of the same sets of skills. The difference in the modern world is the role of government in supporting and promoting these concepts.

24 https://www.centreforcities.org/reader/office-politics/the-impact-of-agglomeration-on-the-economy/
25 See Philip McCann's *The UK Regional–National Economic Problem* (2017)

“CENTRALISATION IS AS MUCH OF A PROBLEM IN SCOTLAND AS IN THE UK. THE UK IS HYPERCENTRALISED IN LONDON, SCOTLAND INCREASINGLY OVERCENTRALISED IN EDINBURGH”

The Role of Government

Some economic liberals have in the past argued there should be no role for government here. Instead, markets should be allowed to make these decisions, driven by the incentive of profit. Only that will allocate capital to the right places without the need for any government intervention. Government will try to pick winners, and get it wrong. This was the dominant "neo-liberal" philosophy of the 1980s and 90s: the market was the answer to all questions, indeed in the public as well as the private sector.

Markets do indeed have a critical role in allocating capital to different companies, and government must not usurp this function. Government also has so-called supply-side responsibilities: creating the basic conditions businesses need to succeed, from a reliable legal framework and stable economic environment to funding and supporting the research that drives scientific progress. But in the modern world, it is responsible for many functions which must be specifically tailored to different places to develop the economy: land use planning, physical infrastructure, and educational systems to equip workers to take the opportunities offered by growing industries.

Markets don't think about geographical equity. Governments must. On their own, markets inevitably produce inequalities, across geographies as well as among people. If we are to maintain a cohesive and stable society, government has to mitigate these differences without repressing the growth which produces the very resources it needs to do so. Country-wide redistributive social safety nets safeguard individuals who cannot fully participate in the economy. But only geographical interventions can ensure that different places are not left far behind, and use all the resources of the country to best effect.

In recent decades the UK has not been good enough at this, and as a result, it is the most geographically unequal large country amongst the developed economies. Our over-centralised government offers one-size-fits-all solutions across the whole country. For example, even when the Labour UK government created regional development agencies in England, they tended to be clones of one another, delivering government policies for supply-side interventions, like skills. But the plans were not well enough tailored to the circumstances of individual places, nor to building successful local economies on the strengths and opportunities of each individual city region.

Centralised government and economic inequality between different places are closely connected. One-size-fits-all policies fit no place properly. Cities, regions and even nations don't have voices at the centre which are strong enough. Even substantial redistribution of resources to support public services and social programmes, as we see in the UK today, mitigate the effects on individuals but do not cure the underlying problems.

Other nations deliberately set greater geographical equity between the different regions as an objective. Indeed, in Germany, for example, the post-war German constitution puts a particular onus on the federal government to do so, by giving it powers to ensure greater "equality in living conditions" across all of the federal state. This was a huge challenge for Germany in the years following unification, when the much poorer Eastern Lander were absorbed into the state. But its success is tangible. As a result of sustained effort over decades, many of the Eastern Lander (which has an average GDP per head of £38,000[26]) are now better off than most regions of the UK outside London and the South East.

Scotland may be a small country, but it does have distinct regional economies, and big economic disparities between them. The centrally-conceived and driven economic development plans of the Scottish Government over the last couple of decades have been largely one size fits all: blind to the difference in opportunities in different places, though these are glaringly evident. Aberdeen and the Northeast remains a largely oil-based economy, while Glasgow and Edinburgh city regions have distinct problems and opportunities. Other areas such as Tayside or Scotland's rural communities are different again. But they get mostly the same treatment.

Centralisation is as much of a problem in Scotland as in the UK. The UK is hyper-centralised in London, Scotland increasingly overcentralised in Edinburgh. All issues are perceived to be the responsibility of Scottish ministers. All public bodies, even elected local authorities, are regarded as simply their agents routinely referring to public bodies with their own proper autonomy by the pernicious phrase "delivery agents". Councils have been stripped of powers, denuded of resources, and allowed no meaningful fiscal autonomy. All decisions are made in Edinburgh. And a government which is trying, and failing, to do everyone else's jobs will fail to do its own too.

We should not be surprised by the tendency to national centralisation and blindness to regional variation in Scotland. A nationalist government focuses on the nation. Scotland and its status are the lens through which all issues are seen, and different parts of the country all need to be persuaded of that. Indeed, the project of independence has overwhelmed everything else, and certainly any aspirations for decentralised political power.

26 https://www.ceicdata.com/en/germany/esa-2010-gdp-per-capita-by-region/gdp-per-capita-east-germany-incl-berlin

City Deals: One Positive Sign

One positive development over the last 10 years or so has however been the development of City Deals in Scotland. These are based on English experience and were initiated by the UK government.

Partnership	Initiated
Glasgow City Region Deal	2014
Aberdeen City Region Deal	2016
Inverness and Highlands City Region Deal	2017
Edinburgh and South East City Region Deal	2018
Stirling and Clackmannanshire City Region Deal	2020
Ayrshire Growth Deal	2020
Tay Cities Region Deal	2020
Borderlands Inclusive Growth Deal	2021
Moray Growth Deal	2021
Islands Growth	2023
Falkirk and Grangemouth Growth Deal	2024
Argyll and Bute Rural Growth Deal	2025

Table 1 - City and Regional Growth Deals

City Deals launched in 2014 in Scotland, with the aim of facilitating long term funding and co-ordination. They operate at a regional level. Since 2025, these deals cover the whole of Scotland. They have made available new resources, and brought local and national representatives to the table with a common purpose of economic development projects. The partnerships involve local government, relevant public bodies, and very importantly, universities and businesses based in the area, as well as the UK and Scottish governments.

These deals are instrumental in both committing to and coordinating urban and regional development, whilst encouraging private investment in a region's core strengths. They can help regions seek opportunities to find those agglomeration benefits that make the whole greater than the sum of the parts. They offer the potential of more and better jobs across a wide travel to work area. Deals have delivered investment in transport and public works, in innovation districts, and skills-focused projects to improve workforce capabilities.

Total investment exceeds £3 billion. Funding is primarily provided by the national governments, with the Scottish government matching the contributions made by the UK government to finance each City Deal's projects. A smaller pot is contributed by the constituent local councils, whilst contributions from private sector and public bodies could see investment of up to £8 billion across Scotland[27]. In each deal, a *Tripartite Agreement* between these spheres of government is reached which establishes the objectives, funding, projects and governance structures, as well as audit, reporting and procedural arrangements. This cooperation between governments is very much to be welcomed.

Unlike their equivalent English deals which have developed into a more significant economic and increasingly political programme of devolution, Scottish City Deals are (generally) overseen by joint committees, cabinets or boards, composed of members from public bodies and drawing in local partners. They are essentially overseeing a portfolio of projects, which should hang together consistently with an overall direction for the economy of the region. The partnerships tend to have small programme management groups of officials (particularly for the larger deals) but otherwise rely on employees of the local authorities and other public bodies. This variation reflects the structure and preferences of the partners involved, but importantly no city region is overseen by a member body directly elected for the purpose. Given the amounts of public money involved, and private investment attracted, effective governance is very important.

> ***"One size does not fit all. Functional economic geography is key."***
>
> \- Local Government Chief Executive

There is now extensive evidence of the benefits which have flown from early City Region Deals and their expansion in recent years reflects the benefits they have generated. Three deals from different phases of the initiative are outlined below as examples of the opportunities (and variation) of this approach.

27 https://www.deliveringforscotland.gov.uk/households/city-region-deals/

GLASGOW

The first and largest of the City Region Deals in Scotland, Glasgow will have received investment of £1.27 billion from the Tripartite members and manages a portfolio of over £2 billion in total[28]. It is constituted of eight member councils spanning Glasgow, East Dunbartonshire, East Renfrewshire, Inverclyde, North Lanarkshire, Renfrewshire, South Lanarkshire and West Dunbartonshire who collectively represent 1.9 million people and generate around 32% of Scotland's Gross Value Added[29]. Councillors from these member councils form the Glasgow City Region Cabinet which works in close partnership with public, private and third sectors such as the University of Glasgow, Scottish Enterprise and the Health Foundation to "deliver long term economic growth, tackle inequalities, and to deliver an inclusive and sustainable city region"[30].

At the core of their funding, the City Deal has delivered a number of high-profile infrastructure projects including the Renfrew and Govan-Partick bridges, the Smart Canal, and the Ocean Terminal visitor centre in Greenock. It has also invested in cutting edge medical scanners at Glasgow University[31] and labour market projects to help address local employment challenges, such as the *Youth Gateway* Programme.

The Glasgow City Region also incorporates a number of additional strategies, programmes, and funding pots. From the *UK Shared Prosperity Fund* and *Local Innovation Partnerships Fund* to an *Investment Zone* and *Innovation Accelerator*. The scale of the city region enables it to bid for these opportunities in a way that individual authorities couldn't, whilst the operation of these under the auspices of the Glasgow City Region enables more strategic use of these funds across the partners and localities.

Together, these investments are expected to create 29,000 jobs and deliver £2.2 billion (4%) uplift in GVA per annum.

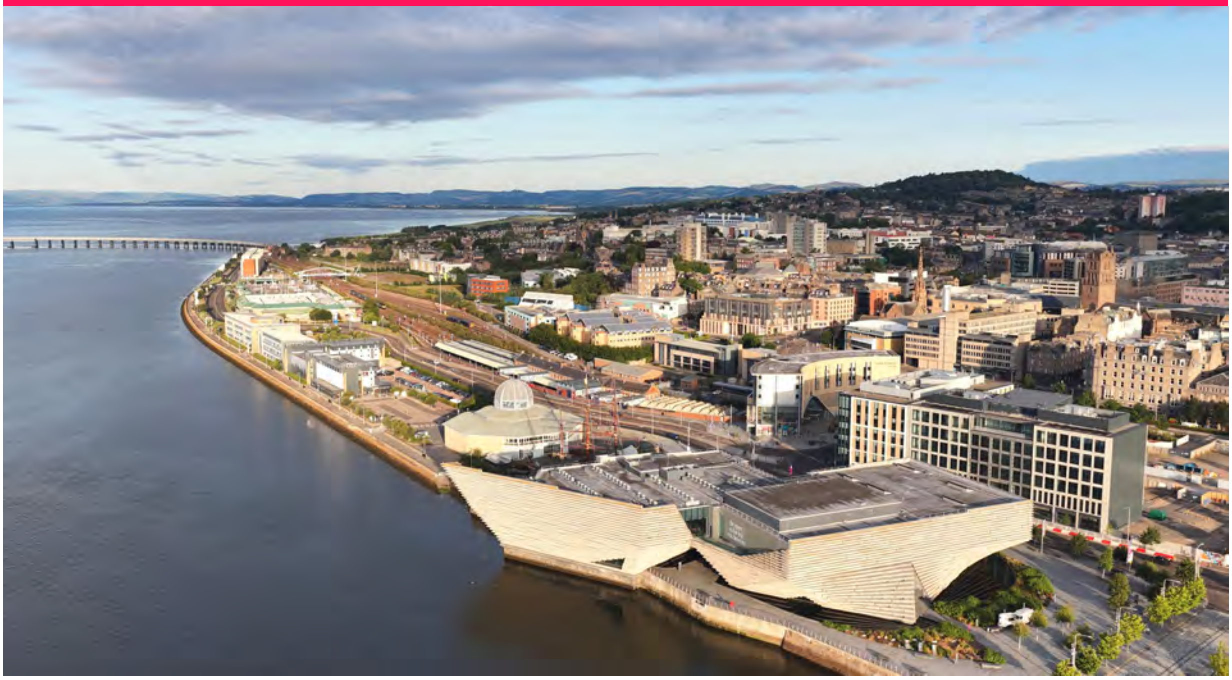
28 https://glasgowcityregion.co.uk/who-we-are/meet-the-team/
29 https://onlineservices.glasgow.gov.uk/CouncillorsandCommittees/viewSelectedDocument.asp?c=P62AFQUTZ3T1Z30G
30 https://glasgowcityregion.co.uk/who-we-are/partners/
31 https://www.gla.ac.uk/colleges/mvls/ice/

TAY

The Tay Cities Region deal came six years later in 2020, encompassing the cities of Dundee and Perth as well as Angus and the north part of Fife. Compared with the relative economic power of Glasgow, the Tay region accounts for 12% of GVA and around 500,000 of the population. Its labour profile is different too, with high unemployment and a slower-than-average employment growth rate. The Tay Cities Region Deal is therefore focused on addressing these gaps by developing key industry sectors and tackling entrenched inequalities.

Drawing on £150 million matched funding from the Scottish and UK governments, this initial investment is expected to lever in £400 million over 15 years and create over 6,000 quality jobs[32]. It is overseen by a joint committee which acts as its decision-making body, supported by a Management Group to deliver on its commitments. Six different thematic boards feed into these two bodies to develop and maintain oversight of the projects and programmes within the deal: Skills, Transport, Digital, Culture & Tourism, and 'Innovate, International' boards engage with partners from Network Rail, Creative Scotland and Higher/Further Education institutions.

Their investments similarly focus on the strengths of their region. These include a £25 million Biomedical Cluster and an Advanced Plant Growth Centre reflecting the city's strong life sciences sector. Further investments in arts and cultures, such as the refurbishment of the Pitlochry Festival Theatre, as well as securing £20 million to develop the region's world-leading technology and video games sector, reflect the city's evolution as a creative hub.



32 https://www.taycities.co.uk/sites/default/files/tay_cities_deal_doc_feb_8.pdf

ISLANDS

The Islands Deal, one of the latest to be signed in 2023, captures £100 million from national governments, as well as a further £92 million from regional partners[33]. Their priorities are different still, focusing instead on attracting and retaining young people in the islands, expanding sustainable projects, and harnessing growth industries such as tourism.

Formed between the Shetland and Orkney Islands as well as Comhairle nan Eilean Siar, the deal works in partnership with bodies such as the port and harbour authorities, Historic Environment Scotland, the Sustainable Aquaculture Innovation Centre, and various university and colleges to capitalise on the strengths of the area's history whilst addressing the challenges of the future. These are reflected in the investments, with projects spanning vertical farming, spaceports, and a 'Future Fuels' hub, to Heritage Gateways and 'Destination Development' of culture and assets.

With a combined population of just 72,000 spread over a large land mass, the Joint Committee approach in place for decision-making is quite different, having emerged from extensive pre-existing collaboration from the three authorities. The partnership focused arrangement is more network based, having created a shared legal body to oversee the deal rather than having a single lead authority.

City Deals are now over a decade old and whilst their organic development is to be welcomed, recent research from the Centre for Public Policy[34] has made a persuasive case for recasting them as a central policymaking tool in Scotland and for building on strong work already underway. It is in this spirit that we offer a pathway below.

33 https://www.gov.scot/policies/cities-regions/city-region-deals/
34 https://www.gla.ac.uk/research/az/publicpolicy/news/headline_1227858_en.html

Wider and Deeper: Building on City Deals

City Deals represent a good start. Their focus is on the strengths and opportunities of each place, and each approach seeks to be tailored to local opportunities. Inevitably, some are more ambitious or advanced than others. But if we are to kickstart the improvement in productivity needed, and have the impact on the Scottish economy which is required, this work needs to go further and faster. That will require vision from governments, from local governments, public bodies and other institutions such as universities. It will also require the concentration of resources to have the most impact. This could mean hard choices for individual local authorities, as resources might be better used in other parts of the region to support the economy of all of it.

> ***"Regional authorities are best able to drive growth when they are based on economic areas."***
>
> \- Local Government Strategy Director

The key, however, will be to widen the strategic focus of the City Deals, from a portfolio of (consistent) individual projects to an overall strategy for the region with concerted action on all elements of it. That will mean bringing into the remit of the City Region strategy a wider range of powers and responsibilities, for example in relation to transportation, strategic land use planning, and other issues.

There is nothing novel or outlandish for Scotland in this proposition: quite the opposite. The large Scottish regional councils created in 1973 followed the Wheatley report of 1968. It made essentially the same argument. To build economies, bring together powers at a functional economic level (more or less a travel to work area) including land use planning, transportation, and education (which in those days included further education colleges run at a local level).

Bring Back a Regional Tier of Local Government?

One option to achieve this would in fact be to reform local government, creating new structures. That might mean reintroducing the additional, elected, regional tier abolished in 1995. Today this would likely require a different mix of responsibilities, concentrating on the strategic economic task, and leaving school education and social care with the existing local authorities (with the latter delivered in cooperation with the NHS as at present).

Alternatively, local government could be comprehensively reorganised to create perhaps 15 or 16 larger councils, which would have more strategic capacity. For sure, the present boundaries of Scottish local government are not well designed. They may have begun from a strategic analysis of the demands of local services or local economies but were adjusted in a number of places to meet nakedly political aims. But the experience of earlier reorganisations is that they are time-consuming and disabling for a substantial period. In addition, experience in recent decades of changes which are the responsibility of the Scottish Government has pointed to a significant implementation gap (see the Our Scottish Future's report *Fixing Broken Government*[35]).

> *"Regional governance should be seen as a means to improve outcomes, not an end in itself."*
>
> - LG Corporate and Strategic Policy Lead

In consequence, neither of these is at all attractive. Each would require legislation, comprehensive consultation and no doubt much controversy about boundaries and responsibilities. Given the pace at which such legislation is developed, then enacted by the Scottish Parliament and implemented by the Scottish Government, and allowing time to elect new councillors, assign staff to the new bodies, and let the new institutions find their feet and develop their plans, meaningful change would be well into the term of the next Holyrood parliament. We cannot afford to wait that long.

Grow Organically from the Present Arrangements

Instead of disruptive and time-consuming reorganisation, the best course will be to develop organically from the existing City Deal arrangements into wider, more strategic bodies with wider and deeper remits. This can be done in two ways. First, existing local authority powers can be pooled, by making the oversight bodies of the existing strategies and projects a joint committee of the relevant councils for the powers to be exercised at this level, such as strategic land use planning, skills delivery, and transportation. This would be voluntary on the part of the participating local authorities, but the government might well wish to incentivise this process by allocating the most resources to those who go the furthest, fastest. Second, the functions of the Scottish ministers themselves (and of participating public bodies) can be formally delegated to the partnerships, just as today they are delegated to executive agencies, through a formal framework document.

The immediate priorities for such power transfers are:

- First, skills development, decentralised from Skills Development Scotland, so that it can more readily reflect both the existing local economies and the strategic approach of the new partnerships.

- Second, transportation, which is presently delivered through seven regional transport partnerships. They already resemble joint committees of local authorities, though they have a slightly different legal basis. A way needs to be found to fold these into the new strategic arrangements, perhaps in the first instance by formal agreement, so that transport is seen to be more clearly integrated into the regional planning. This should include the power to draw into public provision bus services to gain full advantage of the network effects and implicit cross subsidy they bring, or find a way to gain the same benefits through agreement with existing providers.

35 https://ourscottishfuture.org/wp-content/uploads/2025/12/Fixing-Broken-Government-1-1-1.pdf

- Third, strategic land use planning. This too can be done initially by agreement, and the creation of joint local authority committees to authorise the strategic element of local planning decisions, an action-oriented version of the regional reports produced in pre-1995 local government applying across the territory of the partnerships.

One Size Does Not Fit All

The possibilities are at this stage essentially voluntary; so it is inevitable that asymmetric arrangements will emerge. This is to be welcomed. One size will indeed not fit all. History has lessons for us here as well. King David the First created the first Royal Burghs in Scotland 900 years ago, focusing economic development in different places. The original six Burghs were the city regions of their day (Edinburgh, Stirling, Perth, Roxburgh, Dunfermline and Scone). In slightly more modern times, counties of cities integrated government functions across a city and its surroundings and were a key part of 19th century modernisation of our cities and their economies. Nowadays, one model will likely fit the major City Regions, where the economy is dominated, and the opportunities mostly presented, by the city at the centre - such as Edinburgh and the Lothians, Greater Glasgow, Tayside, and Aberdeen and its surroundings.

> *"Embrace asymmetry. Reward ambition and commitment."*
>
> \- Local Government Economic Development Advisor

Other areas may well take different approaches, though almost all will involve some pooling of resources between the constituent local authorities, and drawing more central functions into shared control and delivery. In somewhere like Ayrshire, for example, whose existing local authority boundaries have never made any sense, taking early steps towards a strategic approach for all three authorities (collectively titled Ayrshire) in both economic development and service provision would be sensible. As one local official said, "Make Ayrshire Great Again". Other areas may take a similar approach, but places such as the Highlands or the Borders area may find that the existing boundaries are satisfactory enough, and the challenge is to get on with successful projects. What matters here is what works, not some uniform prescription. Asymmetry in governance arrangements may look and feel untidy, but it is an appropriate response to different geography and different histories. Scotland's position in the UK is an example of such an asymmetry, and asymmetry should certainly not be unacceptable within Scotland itself.

Getting to the end of this process will inevitably take some time, but early steps must be taken in each region to develop and implement even more comprehensive regional plans to use all these powers together. Pace is critical here. Not just wider and deeper, but further and faster too.

How to Get There

Building on the foundation of the City Regional Deals, there are six outstanding questions which will need to be addressed in order to meet both aims of jumpstarting growth and tackling declining trust. Here are potential answers.

1. Getting the Governance Right

At the moment, the work of each City Deal team is overseen by a committee of local councillors. They have made a good start, and those involved at both elected and official level have shown commitment, flexibility and imagination in the process. The governance has also been at the working level to involve other public bodies and important stakeholders such as universities and colleges. And in the circumstances of each place, leading individuals may well emerge from different institutions at different times. It is best not to prescribe, in general, how governance must be structured, but governments will inevitably take a view on whether it is being done successfully in each place.

> ***"Joint committees are not strong enough...Scotland needs to be brave and go for the Mayoral Model."***
>
> \- Local Government Team Leader

But the more powers gathered in or delegated to such structures the more there is a need for accountability, given the large sums of public money involved. Equally importantly, the public will want to know who is ultimately responsible for what is going on. As Henry Kissinger famously said of Europe – "who are you going to call?". Some might argue for the indirect election of a political figure to be seen to head up the work of the regional partnership, in effect a councillor chosen by other councillors. This might work in some places. But it lacks the critical direct link to the public. That requires directly elected political accountability.

This will be controversial, as the idea is supported by some but not all Scottish political parties, and not at this stage by the Scottish Government. But it has shown its strength in England, where those areas which have chosen to have elected Mayors (as they are able to do under the English legislative framework) generally support and trust them. They provide a single focus for leadership of the creation and delivery of the economic strategy, and a visible political presence. This applies to whatever political party, or indeed none, the mayors belong to. It is also easier for them than for local authorities to accept responsibility for prioritising one place over another: choices have to be made for strategies to be implemented.

So there are different potential models, but they should certainly include the option of direct election of a partnership's political leadership, as seen in England. London has long had a directly elected mayor overseen by an elected London Assembly. In the new English

City Regions, mayors are typically accountable to committees drawn from the constituent councils, in a so-called combined authority. On the whole, that seems the best option for Scotland today, as it gives focus to the work of a partnership and direct public connection, while still ensuring that locally elected representatives for the whole area have a say in the policies to be adopted.

As the Scottish system develops, the pressure for direct political accountability, in the major City Regions at least, may well be irresistible. And it should not be resisted. It needs enabling legislation, and the sooner that option can be written into the statute book the better. A task for the Scottish Government, in consultation with others involved, would be to prepare options for such legislation, even if they themselves are sceptical about it at this stage. They should not, by refusing to provide an enabling legislative framework, deny locally elected councils and others the choice to vote for a new, enhanced form of local democracy.

The sooner this is done the better. It will give those involved a target for which to aim. It should not be imposed, though government may give incentives in some places to encourage it; but nor should individual regions be denied the opportunity to choose it. If it works in one place, others may be attracted to follow. If it does not work, then they need not do so.

2. Local Leaders as Representatives

There is a good argument from an economic perspective for directly elected political figures leading regional partnerships. But there is more to it than that. We can already see that directly elected mayors don't just run economic and other development programmes for a place. They represent its people, in a different way from MPs, MSPs or councillors, and this is greatly valued. The present Prime Minister is an obvious example, but so too was Boris Johnson when Mayor of London. His powers were limited but his profile was high. Elected mayors or provosts in Scotland will have a personal mandate, a well-defined role, and almost certainly in the larger cities a substantial media presence. This should not be feared. Instead, it is a way of giving voice to populations who at the moment feel distant from politics. In England, elected mayors where they exist are generally somewhat more trusted than national elected politicians. One opinion poll conducted by Our Scottish Future for the *Commission on the Future of the UK* found that throughout the UK elected mayors were more trusted than MPs, even in Scotland, whether there aren't any yet.

Question: Which of the following groups of people do you trust most to have your best interests at heart? Please rank your top three. Included in top three (Source: OSF)

	England	Scotland	Wales
1	Local Councillors	Local Councillors	Local Councillors
2	Directly elected city/ regional mayors	Members of the Scottish Parliament/ Senedd	Members of the Scottish Parliament/ Senedd
3	School governors	Trade union leaders	School governors
4	Civil servants	Directly elected city/ regional mayors	Trade union leaders
5	Trade union leaders	Civil servants	Directly elected city/ regional mayors
6	Members of Parliament	School governors	Civil servants
7	Members of the House of Lords	Members of Parliament	Members of Parliament
8		Members of the House of Lords	Members of the House of Lords

Table 2 – Trust in Representatives

Indeed, in some respects, the impact of directly elected City Region figures may depend less on the range of powers they exercise, but the very fact of their representing the place. The Mayor of London is a striking contrast with devolution to Scotland and Wales, but also with subsequent Regional Mayors in England. The powers exercised are narrow, though on issues very important for people in London – public transport, and an oversight role in relation to the Metropolitan Police. But the Mayor is undoubtedly a substantial political figure, and is seen to speak for the people of London both nationally and internationally. As Mayor of Manchester Andy Burnham was the same. Scottish cities would benefit from such representation. It would change Scotland's political monoculture for the better.

For the longer term, there are more imaginative constitutional solutions for Scotland in the UK, allowing directly elected regional representatives a voice at the centre of government, or even in Parliament. This has already started, as Prime Minister Andy Burnham is reinvigorating the council of the nations and regions, including both Scottish devolved ministers and major English mayors. Further steps could follow. Importantly, having stronger, trusted voices at the centre and bringing important government functions closer to the people whom they serve should help address the pressing problem of distrust in government.

3. Getting and Spending

All of this work will require spending public resources. Most of that can come from reallocating existing budgets for economic development and the various services which will be influenced or even run by regional partnerships. But it is idle to ignore the substantial gap in the Scottish budget between the commitments and the Scottish Government has made and the resources it will have available to it. The Scottish Government itself suggest that this will soon grow to £5 billion a year and there is already an immediate gap of at least £2 billion between current income and expenditure. Creating regional partnerships will not fix that. It should, by giving power and responsibility to those better able to exercise them, produce better results. But it will not avoid the need for the Scottish Government to make the sort of "hard decisions" to which it routinely refers, but often avoids. They will nevertheless have to make substantial changes in the arrangements for funding the partnerships at the same time.

Revenue Budgets

At the moment, city regional partnerships are funded wholly by allocations of public money from the UK government, Scottish government and contributions from councils themselves, public bodies and other sources. They are grant-dependent bodies. For as long as these partnerships remain essentially sets of economic development projects this may be enough. It has enabled them to get off to a good start, though it needs to be enhanced in quantity and targeting soon. But once the range of responsibilities of the partnerships widens into a genuinely city regional body, like a combined authority in England, more stable long-term financing instruments will be needed.

That means access to reliable revenue streams, ideally ones the city region itself has some influence or control over. We can see progress towards this in combined authorities in England already. So-called tax increment financing was much discussed, giving access to the extra tax revenue arising from economic development successes. This may be a useful start, and might be recycled into a virtuous circle of investment and further returns. But, being an increment, will be unlikely to produce the large revenues that may be needed. The UK Government is however making radical changes to assign to the combined authorities a share of the income tax raised locally, as well as non-domestic rates (NDR) tax revenue.

This is a very radical step indeed. While it does not allow the city region or mayor to set local income tax rates or NDR poundages, it gives the certainty of a long-term revenue stream and a wide freedom to allocate resources into different spending programmes from it (rather than grants decided from year to year and earmarked by government for their priorities). It gives the region scope to enjoy the upside of successful policies, but the downside risk of, for example, an economic downturn. It is possible that this too will prove a stepping stone, on a journey to further localisation of tax.

So far as Scotland is concerned, the possibility of additional revenue raising powers or tax assignment could only be considered where there is direct political accountability, and effective governance oversight. The obvious place to begin may not be with income tax, which is devolved already to Edinburgh, but property taxation. Property does not move around, so the tax cannot be avoided by doing so. If related more directly to property values, it has the potential to provide a buoyant, if variable, revenue stream.

The Scottish system of property taxation (business rates, council tax, and land and buildings transaction tax) is in a mess. Council tax is still (ludicrously) charged on the basis of what houses were worth in 1991. A 'mansion tax' is now being proposed on top of it, in a rather bodged way. Land and Buildings Transaction Tax (LBTT) remains a pernicious levy, as it discourages economically desirable transactions. Business rates have never been seriously looked at since devolution. Many authoritative commentators have called for comprehensive review of property tax, and they are right[36].

Nevertheless, pending comprehensive reform, progress can be made. A small place to start for Scottish city regions would be to allow tax increment financing for additional business rates revenue which can be attributed to the economic development which they promote. A more substantial opportunity would be assignment. Allocate to each city region the yield of some tax or taxes within their area. Assignment is not complete tax devolution, like the Scottish Parliament has, because it does not involve power to change the rates of tax. But because taxes are assigned, rather than grants made, it gives the region wider budget flexibility.

An obvious assignment option is LBTT, which is often overlooked in these discussions. This tax raises about £900 million a year in Scotland – nearly one third of the yield of council tax or non domestic rates – so offers the scope to provide substantial resources to those partnership areas which are ready to cope with the responsibility, and have robust and effective governance to do so. It has the advantage that (unlike council tax or non-domestic rates) it would not affect the existing complex arrangements for financing local authorities, which take account of both council tax and non-domestic rate revenue. Successful economic development will increase land values, and likely the number of transactions. City Regions will get direct feedback for the success of their policies – or pay a penalty for failure. The administration should be simple, as information on all transactions is available through the Scottish land registration arrangements.

Indeed, consideration could later be given to allowing regions to vary the size of this levy and use it as an economic development too. If in the longer term, LBTT and other property taxes are combined into a new capital-based property tax (with suitable arrangements for deferral etc.) then the assignment of LBTT might be replaced by assigning a portion of the new recurring capital levy.

Capital Investment

Regeneration and economic development inevitably require capital investment, and large sums have already been allocated by governments. That may be for infrastructure like roads and railways, but it may be alongside private investment in growing industries. For now, the capital bounce provided to partnerships through central government grants to

36 rse.org.uk/programme/advice-paper/the-future-of-council-tax-in-scotland/

local authorities may prove sufficient. But inevitably once partnerships are established, with appropriate accountable governance, the question will arise whether they may be able to borrow themselves to finance this investment. This is trickier than it sounds. Any government will need to be sure that that it has appropriate control over the totals of public spending, and it may well be the case for partnerships (as it is for local government and the Scottish government) that relying on the UK to borrow the money through the gilt market at lower rates is the most sensible solution.

Nevertheless there may be opportunities to work with capital from private markets to make particular investments which can be repaid through the economic benefits that flow from them. This, however, needs significant expertise, and is critically dependent on the structuring of each scheme. Public bodies must not be a soft touch for aggressive investors. A weakness of historic PFI schemes has been that, under the pressure to raise more badly needed capital investment, they degenerate into buying capital assets on hire purchase, which is inevitably more expensive than paying for them upfront from government borrowing. But worthwhile opportunities may present themselves and should be looked at on their merits.

4. Anchor Institutions: The Role of Universities and Colleges

Universities and colleges are critical players in regional economic development. As the work of the Centre for Cities shows, they become the door to imaginative developments in science and technology. Scotland is well served here, hosting some of the best universities in the world. In ranking systems which compare thousands of universities worldwide, it is remarkable that a country as small as Scotland has three in the top 100 (England scores very well too, but not proportionately as well). Together with the college sector, and its focus on skills, these are perhaps the most significant assets which Scotland has to promote innovation and growth.

It is therefore excellent to see that universities participate extensively in the work of the City Deal partnerships already, and have been key to their success. In terms of their research base, the commercialisation opportunities their networks provide, and the highly skilled workforces they cultivate, universities have been essential anchor institutions. Take for instance The Glasgow City Innovation District (GCID). With the University of Strathclyde at its heart acting as the key anchor institution, the district has grown its venture capital investment by 211% since 2019, contributing in no small part to a recent report stating that Glasgow's tech ecosystem is one of the fastest growing in the UK[37]. In Dundee, the Biomedical Cluster 'Growing the Tay' programme attracted £25 million of Deal funding which is expected to translate into 281 high-skill biomedical jobs by 2033 and provide over £190 million benefit to the local economy over the next 20 years[38].

Some of the contributions which universities make to innovation and economic development will be direct spinoffs from research in their own institutions. The Biomedical Cluster for instance involves capital spending on a new Regional Innovation Hub designed to 'anchor' new, high growth spin out companies generated from the research activity[39].

37 https://www.glasgowcityinnovationdistrict.com/aboutthedistrict/gcidstrategicplan2025-2030/
38 https://www.dundee.ac.uk/tay-cities-deal/growing-the-biomedical-cluster
39 https://www.dundee.ac.uk/tay-cities-deal/growing-the-biomedical-cluster

This is an important contribution which universities make, ensuring that the opportunities they create are able to grow out of their investment into commercially successful ventures. A number of notable companies have already come up through this sector. For example, Glasgow has a long history of developing commercial enterprises from photonics research, such as Vector Photonics (University of Glasgow). In Dundee, Exscientia has become one of Europe's highest profile biotech companies, advancing AI-driven drug discovery technologies first developed at the University of Dundee[40]. Such spinoffs have great potential for growth, and Scotland has an excellent network of angel investors to start this process.

But equally important is how higher education institutions in an area can help existing companies grow, making better use of the knowledge, skills and technology available to them. So too is the contribution which universities, and especially colleges, make to ensuring that there are well trained, appropriately skilled people joining the labour market to support the growth of these enterprises. That is one key reason why skills responsibility should be migrated from Skills Development Scotland to regional partnerships.

5. The Private Sector

It might seem strange to come last in this paper to the private sector, which ultimately is where the growth, profits, employment and goods and services will be generated. That is because we have been concentrating on the role of government in creating the conditions to make it easier for private enterprise to flourish in different places. In individual regional partnerships, dialogue with existing and potential private sector companies is essential, on a whole series of issues – provision of transport infrastructure, availability of housing, and skills training to only a few. Much of this will depend on good informal relations with business leaders and managers in each place, best handled for the most part by officers, rather than politicians. Partnerships should however ensure that there is effective business contribution to the thinking and strategy formulation in each place. No central template should be designed or imposed for this, though it is likely that this will be a mixture of both business organisations and individual key companies. However it is done, there must be seen to be full scope for company voices to be heard within governance. In the end, success will be judged by whether the private sector is attracted to a cluster of industries in a particular place and are then successful.

"The input and involvement of industry and business is key."

- LG Representative

The private sector will also be the primary source of investment in new and growing enterprises. There is no shortage of capital available for investment in the UK, notably in the pensions and long-term savings industry. The challenge is often for them to find sufficient attractive opportunities in companies which are ready to scale up into large and successful enterprises. One of the aims of the approach described in this paper is to create the environment in which such development is more likely.

40 https://www.dundee.ac.uk/feature/spinning-out

It is sometimes said, perhaps with justification, that it is more difficult to attract investment in companies further away from London and the Southeast. It is difficult to disentangle whether this is due to fewer opportunities, or a reluctance to manage the essential relationship between the investor and the growing business at a distance. Either way, the public sector may have a role in supporting such investment. Scotland has had a very long running shortfall in creating new businesses, but it does have an excellent network of angel investors to help companies get started. It is less successful in attracting investment to enable them to scale up and grow. Here the public sector may have a role to play, but always and only alongside more hardheaded private investors.

Very large sums of public money are available in Scotland for one form or another for economic development. According to Treasury public expenditure statistical analysis, spending by Scottish economic development agencies alone exceeds £2.5 billion a year[41]. So there is no shortage of public resource available. But it is delivered through a complex network of agencies, and what may kindly be described as a cluttered institutional landscape – according to Audit Scotland[42] there are multiple public bodies involved, approaching 40 if all the local authorities and others are included. As well as the Scottish National Investment bank, there is Scottish Enterprise, South of Scotland Enterprise and Highlands and Islands Enterprise, Visit Scotland, Skills Development Scotland, and the Scottish Funding Council. Some order needs to be put on this following Audit Scotland's review; but the key point here is that there is substantial public resource which would be available to invest alongside private resource in these partnership areas. It must be well targeted, and regional partnerships must have a leading role in that.

In recent years, the UK government has been encouraging pension funds and others to allocate more of their resources to direct productive investment in the UK economy. The previous Chancellor of the Exchequer signed the so-called Mansion House agreement with major investors. The aim was that they would invest more in what are known as private assets (that is to say investments not listed on the stock market, often in new and growing companies) 5% of their total funds. That represents a very large sum of money indeed, and represents a huge opportunity for Scotland, especially if public investment can be aligned with the private capital to attract it here.

6. Managing the Politics

This will present challenges for each level of government; in the national interest they must surmount them. For the local authorities involved, sharing resources and responsibilities will sometimes mean accepting that investment or effort will be devoted to other parts of the regional setup. That means persuading councillors and their electors that this will benefit them too by developing the wider regional economy. This political challenge may be easier for a directly elected figure to meet.

This work needs sustained cooperation between the UK and Scottish governments, and that isn't easy. There's intense political competition between them, both as political parties, but also between their visions of what Scotland's position in Britain is. Nevertheless, the people of Scotland have a right to expect them to work together effectively.

41 https://www.gov.scot/publications/government-expenditure-revenue-scotland-2024-25/pages/7/ - Table 3.1
42 https://audit.scot/publications/supporting-scotland%E2%80%99s-economic-growth-the-role-of-the-scottish-government-and-its

The Scottish government may see several difficulties. The first is handing over power from Edinburgh to each region. The entire approach of the Scottish government for the last 20 years or more has been to draw power into the centre, taking it from local authorities. Police and Fire services are the most obvious example, but long-term freezes on council tax are if anything more significant disempowerment. The Scottish Government has always sought to promote economic growth through national policies. The list of these is long. A new overarching strategy arrives every four years or so, with a multitude of other associated strategies in between. This simply has to change, and the Scottish Government will deserve credit if it is courageous enough to let go of power and exercise the role of a national government, not an over-large regional council. It must oversee rather than micromanage the implementation of economic development strategies.

A second challenge for the Scottish Government will (in this sphere at least) be to lay aside the disagreements and rivalry between London and Edinburgh, primarily down to constitutional differences, and be prepared to share both the task and the credit. It is long past time for them to concern themselves less with their own powers and status, and more with the economic interests of the people of Scotland. For those who support independence, this may initially seem painful. But developing the Scottish economy now makes the ambition of independence potentially more attractive and deliverable in the future. In any event, it requires all of the politicians involved to put the interests of the people of the country above the partisan interests of either level of government.

A third challenge for the Scottish Government will come from directly elected regional mayors or provosts. They do not support the idea, and it may be hard for them to swallow. But it will introduce a degree of diversity in Scottish politics which has been lacking since 1999. A proper constitutional set-up requires some separation of powers and responsibilities, between different institutions and in different places. Scottish devolution since it was set up has become increasingly unipolar. We have a political monoculture. Power is concentrated in the Scottish government, and certainly not in local government; and nor, as was envisaged by many at the start of devolution, in the Scottish Parliament. It has been dominated by partisan politics and ruthless party whipping. It will be a courageous but ultimately successful Scottish government which realises that this is fundamentally unhealthy and allows some decentralization of power to other levels of elected government. (This is badly needed today, but if Scotland were ever to become independent it would be essential, so as to avoid an unhealthily dominant government.)

The UK Government too will face challenges. The regional approach to economic development was initiated by it in recent years and has been a route for it to regain a fuller role in domestic Scottish politics. This does not mean usurping the role of the Scottish government. Devolution was never intended to mean that the UK government would become irrelevant to day-to-day Scottish public life, dealing only with distant issues such as defence or macroeconomics. The UK Government has already recognised this, as it has drawn the Scottish Government into the City Deal partnerships over the last decade. There is a risk that it might see empowering regional bodies and elected mayors or provosts as giving up some of that role. Whether or not that is so, it will be in the interests of the Scottish people and the Scottish economy.

Cooperation is difficult. But the people of Scotland have a right to expect that the different national and local governments which serve them should pursue not their own institutional or partisan interests, but the interests of Scotland as a whole.

Further and Faster: Change at Pace

These reforms are urgent. Incremental improvements will not do. The partnerships emerging from City Deals have made progress, but some have now been in operation for more than a decade. They need to grow and develop further and faster.

This does require government action, and especially from the Scottish Government, who control many of the policy levers needed to make these changes a reality, especially allowing different city regions to choose what form of governance is appropriate for their ambitions and their circumstances.

It is widely acknowledged that the Scottish Government struggles to get things done. Repeated reports are highly critical of its habit of writing glossy strategies and failing to implement them. In an Our Scottish Future paper on the subject, we called for "a little less conversation" and more action instead. We took this further in "Fixing Broken Government" analysing why it was that the Scottish Government was apparently almost incapable of turning rhetoric into reality, and suggesting what could be done to change that. A key aspect of this is for government to allow regional entities to widen their scope, take on more strategic responsibilities and develop the capacity to exercise them.

Our Scottish Future has been critical of the Scottish government, but on this issue the mood music is nevertheless positive. Both levels of government see the need here, and both in different ways have committed to it. The UK Government is moving radically and dramatically in England, and keen to support similar change in Scotland. The Scottish Government, for its part, acknowledged the importance of the regional dimension in both the SNP manifesto and its Public Sector Reform strategy published in 2025, as well as in the recent Programme for Government in September 2026.

A key idea for both is that there are developing institutions which can do better than governments in promoting the economies for their areas, and they can represent and give voice to cities and regions in a new way. There is scope to rebuild both the economy and trust in our institutions of government too. Government is beginning to realise it needs to get out of the way: let those who can deliver, deliver; and welcome new voices into Scotland's etiolated politics.

The demands on Scotland's Governments are the same ones Bob Dylan made of American politicians 60 years ago:

> "Come senators, congressman, please heed the call
>
> Don't stand in the doorway, don't block up the hall…
>
> For the times, they are a changin' "

Let's hope they are.

Our Scottish Future