

Urban Leadership Campaign

Purpose of report

For direction.

Summary

This paper updates the City Regions Board on progress in relation to the Urban Leadership Campaign, drawing on discussions with officers from each of the relevant membership organisations and with City Regions Lead Members. It sets out a draft campaign structure, outlines a set of statistical indicators to be used in constructing a campaign evidence base and provides the broad parameters of a commissioned piece of research to advance the case for fiscal devolution.

Recommendations

Board members are asked to consider and comment on:

- 1.1. The draft campaign structure and evidence base set out at **paragraphs 11 – 18**.
- 1.2. The principles underpinning the commissioning of external research to identify the challenges fiscal devolution might be used to address in urban areas set out at **paragraphs 19 – 22**.

Action

Officers to progress as directed.

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Urban Leadership Campaign

Overview

1. The City Regions Board has agreed to assemble a coalition of interested and relevant parties to consider and re-articulate to a national audience the distinct concerns and opportunities that unite urban authorities.
2. At the last Board meeting in November members considered the scope and timing of this work. During this discussion it was agreed that:
 - 2.1. There is interest in developing a joint platform to consider a broad sweep of urban policy issues on a long term basis
 - 2.2. There is value in constructing a common evidence base for urban areas distinct from rural areas
 - 2.3. Work to advance the case for fiscal devolution should be prioritised in the short term
3. It was also proposed that SIGOMA (Special Interest Group of Municipal Authorities) should be invited to participate in this work alongside Core Cities, Key Cities and London Councils, to which they have agreed.
4. This paper updates the City Regions Board on recent progress, drawing on discussions with officers from each of the membership organisations identified above and with City Regions Lead Members on 20 December 2018.
5. It sets out a draft campaign structure, which will be used to inform policy and lobbying work over the medium term, outlines an initial set of statistical indicators to be used in constructing a campaign evidence base and provides the broad parameters of a commissioned piece of research that builds on the work commissioned in the previous board cycle to advance the case for fiscal devolution.
6. Following the decision by LGA Group Leaders to support a 'mini campaign' in favour of further devolution as part of the LGA's work to influence the 2019 Spending Review, a separate presentation will be given by officers from the LGA's Campaign Team alongside this paper.

Background

7. This project is being undertaken within a wider LGA policy and lobbying context, directly and indirectly informed by the City Regions Board's priorities:
 - 7.1. Policy development in support of the introduction of a Tourism Levy, being led by the LGA's Culture Tourism and Sport Board, with oversight by the City Regions and People and Places Boards.
 - 7.2. Policy development in support of the introduction of an E-Commerce Levy, being led by the LGA's Resources Board, with oversight by the City Regions and People and Places and Environment, Economy, Transport and Housing Boards.

- 7.3. A 'mini campaign' as part of the LGA's wider Spending Review campaign in favour of greater local devolution, which will also include contributions from the People and Places Board's Post-Brexit England Commission.
8. As a joint campaign this work also needs to take account of the concerns of relevant representative organisations. From recent discussions with officers it is clear that there are a number of distinct issues relevant to urban authorities highlighted by the Government's Fair Funding Review. These include specific points related to the formulaic weighting attached to sparsity in rural areas against the additional costs arising as a result of greater population density in urban areas.
9. While all of LGA's policies on the Fair Funding Review are based on consensus, following discussion at City Regions Lead Members it was agreed that understanding the financial pressures facing urban areas was an important part of the of the Board's responsibilities and should be considered as part of this campaign.
10. Finally, this work also needs to respond to the national context. At the time of writing there is a significant degree of uncertainty surrounding the policy direction of national Government. In light of this, while the planned Spending Review provided the impetus for this campaign, it may be that work will have to respond quickly to sudden developments at the national level.

Campaign Structure

11. The immediate objective of this campaign will be to advance the case for greater local fiscal autonomy by setting out the challenges and opportunities of urban areas in a manner that resonates with the public and is able to gain purchase with Ministers and Whitehall officials. As such, drawing on the context highlighted above the following campaign structure is proposed:
- 11.1. **Identify and describe urban authorities – 'who we are and why do we want change'** - establish a campaign evidence base and provide an outline of key statistics that describe both the scale of the campaigning authorities (population, gross value added, demographic change) and the scope of the challenges they face (productivity, inequality and infrastructure demand). The key objective here will be to highlight both the distinct complexity of urban areas and their potential as drivers of economic growth. In effect, describing the prize on offer through fiscal autonomy at the national and local level.
- 11.2. **Engage with the wider public and political debate – 'why now and why us'** – advance a 'post-Brexit' narrative that recognises that whatever the eventual outcome of the UK's scheduled withdrawal from the EU, communities across the country will aspire to a sense of renewal. National government will likely to attempt to use policies such the UK Shared Prosperity Fund to address this, so a key objective here will be to make the case that while such funding will be valuable

relying on a national approach will be sub-optimal in connecting public expenditure to locally shaped outcomes for communities and businesses.

- 11.3. **Articulate the potential role of councils in addressing these challenges (what are we doing currently, what more could we do):** two or three portraits of local activity that is already seeking to address local challenges that have either proved resistant to national intervention, for example skills and employment support, air pollution, infrastructure. In considering this task it is proposed that the key objective will be to balance arguments in favour of urban authorities' role in seeking the best possible outcomes alongside the devolution of particular public service responsibilities from national bodies, for which appropriate and sufficient funding would be sought.
- 11.4. **Outline the instances of fiscal devolution that might support more effective local or sub-national interventions (how would fiscal autonomy help) –** propose that these are thematically related to the challenges one might try to address in an urban setting e.g. Vehicle Excise Duty devolution targeted at reducing congestion and improving air quality, a tourism levy that funds investment and regulation of local tourist industry. The key objective in this section will be to demonstrate to Whitehall that we have made a good start in exploring the necessary technical 'due diligence', have a narrative that speaks to local concerns regarding 'town hall taxes' and makes the case for the benefits of greater financial control distinct from the devolution of powers and funding.
- 11.5. **Set out the principles of a financial autonomy framework (how might it work in practice) –** securing where possible political agreement on a national approach, recognition that differential fiscal responsibility will likely require different governance and accountability arrangements, a consideration of redistribution and other administrative issues, such as the suitability of existing institutions, such as combined authorities, to support multi-level financial governance and pooling.

Landing the Campaign

12. Building on previous research and policy work in this area it is proposed that a campaign for greater fiscal devolution needs to consider three audiences:
 - 12.1. The public – any campaign needs to have an element that can be readily understood by the general public e.g. referring to greater 'local financial control' rather than 'fiscal devolution' and it needs to connect with their immediate and discrete concerns about public services and localities i.e. jobs rather than growth, visible increases in service quality or scope.
 - 12.2. Local authorities – authorities across urban and, to some extent, rural areas will need to buy into the case for greater local financial control. This will require an argument that takes account of and addresses concerns around redistribution and equalisation both within and between sub-national areas, the scale at which any fiscal instrument might be devolved – single authority or multi-authority – an

understanding of the process by which different areas might access fiscal devolution, whether a deal-based system or some other national framework, and the attendant agreements necessary to secure and sustain governance and any financial mechanism such as sub-national redistribution or pooling.

12.3. The Government – Whitehall, and HMT in particular will need to be reassured about the financial impact nationally, the marginal benefits of fiscal devolution and whether the desirability of fiscal devolution is matched by institutional capacity at the local level. Previous research commissioned by the City Regions Board has also indicated a differential sensitivity between the introduction of new taxes and the hypothecation of existing taxes and the importance of understanding what any additional revenue raised might be spent on.

13. In order to address the distinct and overlapping needs of each of these audiences three distinct types of product are required: a coherent policy argument, backed by compelling evidence; a convincing public affairs framework; and, a unified political platform to demonstrate commitment to support national stakeholder engagement. The remainder of this paper focuses on the first of these tasks.

Developing a Campaign Evidence Base

14. The organisations attached to this project cover 97 local authorities in England, Scotland and Wales. Reflecting the fact that this is a political campaign as much as a statement of policy intent it is proposed that this list of authorities be used as a base with adjustment through the addition or subtraction of individual authorities rather than attempting to use ready-made statistical or administrative classifications.

15. This provides a geographic basis for marshalling statistical evidence and provides the opportunity for a distinct focus on institutions without seeking to determine the functional or economic relationship between cities, city regions and urban areas more generally.

16. As a first step towards developing a campaign evidence base that provides a 'pen picture' of urban authorities and informs future policy direction, a number of indicators have been briefly considered, including:

16.1. Population – campaign authorities have a population of approximately 27 million (larger than Australia)

16.2. The Old Age Dependency Ratio – campaign authorities have an average OADR of 23.7 compared with an England average of 29.3 i.e. they have a greater proportion of their population of working age compared to those over 65.

16.3. Gross Value Added Per Capita – campaign authorities had an average total GVA Per Capita growth of 22 per cent between 2005 and 2015, slightly less than the UK average of 23 per cent.

- 16.4. Gross Value Added – campaign authorities had an average total GVA growth of 39 per cent between 2005 and 2015, slightly more than the UK average of 35 per cent.
 - 16.5. Housing Affordability – campaign authorities saw a decrease in housing affordability of 31 per cent between 2008 and 2017, significantly more than the England average of 18 per cent.
 - 16.6. Inequality – campaign authorities have on average 31 per cent of the fifth most deprived Lower Super Output Areas, significantly more than the England average of 15 per cent. They are also slightly more unequal, with a greater gap between the number of small areas in the upper and lowest quintiles.
17. As part of preparatory work for a wider campaign it is envisaged that a number of additional elements might be considered: Business Churn, Exports per Job, Youth Claimant Count, prevalence of those Not in Employment Education or Training, Carbon Dioxide Emissions, Digital Connectivity; domestic and international migration; and, Welfare Expenditure per Capita. We would also seek to draw on existing research undertaken by councils, combined authorities, partner organisations and others in order to make best use of LGA resources.
 18. However, from the basket of indicators outlined above a narrative emerges that argues that urban areas are younger than the rest of the country, with significant potential for growth, but struggling with challenges such as inequality, productivity and housing affordability that are long term and liable to resist piecemeal intervention from the national stage.

Commissioned Research

19. Research previously commissioned by the City Regions Board provided a high-level financial model of income tax hypothecation and a tourism levy. As noted above work is currently in-train at the LGA looking in more detail at the introduction of a tourism levy and at the initial parameters of an e-commerce levy. Previous work by the LGA and others such as the two London Finance Commissions and Core Cities' Cultural Cities Campaign have also made the case for fiscal autonomy.
20. However, while there is a reasonably coherent body of argument advocating in favour of local fiscal devolution there is less evidence in support of the kinds of activities that fiscal devolution might support at the local level, particularly in urban areas.
21. Recognising this and the context highlighted above officers have begun the process of commissioning an external expert to carry out a primarily quantitative piece of research that explores in more detail the financial pressures facing urban areas, that might be addressed through instances of fiscal devolution.
22. Given the timescales an update on progress will be provided by officers at the Board meeting. However, subject to Member feedback, it is proposed that this work will be informed by the following principles:

- 22.1. The commissioned research will seek to understand the financial pressures facing urban areas, but will not do so at the expense of non-metropolitan areas and will sit within the LGA's overall policy position on financial issues.
- 22.2. It will consider pressures across a mix of geographies and institutional boundaries recognising variations in scale and governance arrangements
- 22.3. In line with the previously commissioned work it will seek to produce a basket of issues suitable for consideration against a range of fiscal instruments
- 22.4. It will seek to make the case for local areas to be given the fiscal freedom to tackle local challenges rather argue for the devolution of specific functional funding.

Next Steps

23. In light of the project's scope and timing there are two areas where members of the City Regions Board are asked to consider comment:
 - 23.1. The draft campaign structure and evidence base set out at paragraphs 11 – 18.
 - 23.2. The principles underpinning the commissioning of external to set out the challenges fiscal devolution might be used to address in urban areas set out at paragraphs 19 – 22.

Implications for Wales

24. The Board's membership and the membership of those relevant organisations includes representation from Wales. While there is likely to be significant cross-over in the experience of both Welsh and English urban areas, the national policy context will differ in each case. The LGA will continue to engage the WLGA to ensure that any resulting recommendations are appropriately tailored and aligned.

Financial Implications

25. All LGA work relating to this report including the proposal to commission external research in paragraph 19 will be met from the board's existing budget for 2018/19.